

In control first year



Who lost Russia?

Martin Wolf, Page 12

The search for someone to blame



Risk of infection

Viruses and the Internet



Benecol bonanza

Selling the health factor

US utility to buy **British electricity** group for \$2.5bn

British company Midlands Electricity will announce today that it has accepted an all-cash bid from General Public Utilities of New Jersey that is likely to vaine the UK company at more than £1.7bn (\$2.56bn). GPU, which will acquire Midlands in partnership with fellow US utility Cinergy of Cincinnati, approached the company less than two weeks ago after the UK government unexpectedly blocked a bid for Midlands by generating group PowerGen. Page 15

Crédit Lyonnais fire may cost \$190m: The fire that devastated Crédit Lyonnais imposing Paris headquarters could have caused more than PFribn (\$190m) worth of damage, the French bank's chairman, Jean Peyrelevade, said. Page 2

Huntsman, the large privately-owned US Ochemicals company, is still pursuing British Petro-leum's styrene and polystyrene business, thought to be worth more than £200m (\$302m), after a sale agreement collapsed last year. Page 15

BSkyB plans 500 channels in UK: British Sky Broadcasting, the satellite television venture, is expected to confirm plans to launch digital satellite television in the UK in antumn 1997, offering up to 500 channels. Page 14

Philippines battles kidnappings: Philippine president Fidel Ramos ordered 56 courts to concentrate exclusively on kidnapping and related cases after a survey which said the Philippines was the most dangerous country in the region in which to do business. Page 14

Worries over Italian Inflation: The fall in Italy's inflation rate halted last month, raising concern that the new government would struggle to meet the 3.5 per cent end-year target. Page 2

New World Infrastructure, the Hong Kong infrastructure arm spun off from New World Development opment last October, is considering a US\$250m fiveyear convertible bond issue to fund projects.

Berlin plan follows referendum defeat: Berlin and the surrounding region of Brandenburg will establish a co-operation council after the referendum defeat for their plan to merge into a single state. Page 2

Pakistan telecoms self-off delayed: The privatisation of Pakistan Telecommunications Corporation, the monopoly telephone company, may be delayed again until October. Page 21 Waigel wants to tax pensions: German

finance minister Theo Waigel called for pensions to be subject to income tax as part of a reform of the country's pension insurance system. Page 2

israel and PLO talks end: Israeli and Palestinian negotiators ended talks on a peace settlement as Tel Aviv broshed aside accusations that it knew civilians would be killed when it bombed : UN compound in Lebanon last month. Page 4

Malaysia unveils five-year plan: Malaysia forecast slower economic growth and an eradication of its current account deficit in its seventh five-year

Ex-CIA director's body is found



US police identified a body found in a Potomac River tributary near Washington DC as that of former Central Intelligence Agency director William Colby (left), who had disappeared on April 27 while canoeing. Colby, 76. was appointed to head the CIA by Richard Nixon in 1973 and ush-

ered in an era of reforms before his term ended in 1976. Page 2

Mandela clears new 'trek': South African president Nelson Mandela signed a plan for white farmers to settle in neighbouring Mozambique in a 1990s version of their ancestors' Great Trek in the 19th century. Pretoria postpones poll, Page 4

Mexican power plant set for start: Construction on a \$647m Mexican combined cycle thermo-electric plant, for which a concession was granted in 1992, is set to begin in the next few weeks after years of delays. Page 4

That 'no confidence' vote: Thailand's opposition will tomorrow launch a three-day debate of no-confidence against the government of prime minister Banharn Silpa-archa - but the seven-party coalition is expected to survive. Page 6

Forest fire sweeps New Mexico: A fast-moving forest fire engulfed 25 homes and forced 2,000 people to evacuate villages in northern New Mexico. US firefighters said the 4,000-acre (1,600 ha) fire was moving through the Carson National Forest toward the Red River ski resort.

Sierra Leone boat accident kills 116: At least 116 people drowned off the coast of Sierra Leone when a boat capsized near Lungi outside the

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Spain to cut spending by \$1.9bn

TUESDAY MAY 7 1996

By Tom Burns in Madrid

Spain's new centre-right government will this week unveil a Pta250bn (\$1.9bn) package of cuts in a mini-budget emphasising its commitment to joining a single European currency. The package, drawn up by Mr

Rodrigo Rato, the new economy and finance minister, will also include tax incentives aimed at coosting investment. The spending cuts, for the current fiscal year, amount to 0.4 per

cent of gross domestic product -more than double the Ptal12hn cuts suggested by Mr Pedro Solbes, the ontgoing Socialist finance minister, last month. Mr José Maria Aznar, the new Popular party prime minister,

Britain

threatens

tit-for-tat

expulsions

By Jimmy Burns in London and

Britain last night was threat-

ening tit-for-tat expulsions of

Russian diplomats as Moscow

prepared to expel up to four UK diplomats in one of the biggest

spying rows since the end of the

Cold war. The UK Foreign Office described Russia's proposed

action as "completely unjustif-

ied" and added that if the expul-

sions were confirmed, "we will

The row started when the Rus-

sian counter-intelligence agency,

the federal security service

(FSB), announced yesterday that

arrested last month as he made

contact with a British intelli-

The Russian government made

it clear that it believed it had

uncovered a significant western

intelligence operation, and was

prepared to risk a diplomatic row by confirming the expulsion of

UK diplomats, probably today.
Some analysts suggested that

the move was linked to next

month's Russtan presidential

election. Mr Andrei Piontkovsky,

a political analyst said: "The

opposition accuses [President

Boris] Yeltsin of being soft on the

west. This is one of the easiest

But others argued that the expulsion of diplomats would be

going much further than neces-

sary for the government to make

ways of showing you're tough."

gence officer.

clearly take appropriate action

Sander Thoenes in Moscow

Russian

Budget package plans investment boost

served notice at the weekend that his priority was to ensure Spain would be financially fit to join the first group of single currency countries. This week's package is designed to impress that commitment on the money markets.

Mr Aznar's government was sworn in yesterday and is anxious to make up for lost time - It emerged as the largest party in parliament after the March 3 general election, and has since been in complex negotiations with Cat-alan and Basque nationalist parties to build a working majority. Its chief challenge is to lower a consolidated budget deficit which

stood at 5.8 per cent of GDP in 1995 to 4.4 per cent at the end of this year, then to wrestle it down to 3 per cent in 1997 to meet the Maastricht treaty deficit criterion for monetary union.

The package, to be enacted by

special decree, involves postpon-ing ospital spending projects across all government departments, especially public works such as roads. Mr Aznar, who has slimmed the cabinet from 15 to 14 mem-

Spy row erupts after Moscow claims arrest of British intelligence contact

bers, also intends to generate savings by paring back a civil service which he claims grew excessively during the 13 years called "the true motor of our

of Socialist administration When Mr Solbes suggested a similar, although less ambitious, reassignment of planned spend-ing in early April, the Popular party said the strategy would harm economic growth. Mr Rato's mini-budget seeks to sustain business activity by includ-

A key ingredient of the package is a series of tax breaks allowing companies to accelerate depreciation of fixed assets. This is in line with Mr Aznar's pledge to support business, which he

ties were increasing at a time

when - the . counter-espionage

resources of MI5 were being cut

MI5 are prepared to identify several Russian intelligence officers

working under diplomatic cover

It is understood that MI6 and

by 50 per cent.

ing measures to boost invest-

economy" when be set out his government's programme at the

end of last week.
Mr Aznar hopes the Bank of Spain, which has an independent status modelled on that of the Bundesbank, will further fuel growth by cutting its benchmark interest rate today when it stages its 10-day suction for bank certificates. It lowered the rate half s point to 7.75 per cent a month

Given Spain'e current low inflation, analysts believe the bank has room to manoeuvre. The peseta is strong and data released yesterday abowed that reserves grew by \$4.3bn last month to \$50bn, 37.5 per cent up on the total at the end of April

A pan-European consortium has been formed to bid for the £850m (\$1.2bn) British contract to supply the Eurofighter with its main missile system.

British Aerospace and GEC of the UK bave brought together Saab of Sweden, Alenis of Italy.

European

to bid for

contract

By Bernard Gray in London

consortium

UK missile

Daimler-Benz Aerospace of Germany and Matra of France to pro-duce a bid for the competition which must be submitted to the Ministry of Defence by next The winner of the British com-petition, which is also likely to be

contested by US manufacturers, could reap international sales worth several billion pounds.

The winning missile will almost certainly be adopted by the other Eurofighter nations – Germany, Italy and Spain – and be used on the Swedish Gripen Depending on the outcome of

the contest, France may also

eventually replace its current generation of missiles on its Rafale and Mirage 2000 aircraft with the new design.

The winner would then be virtually a monopoly supplier of iong range air-to-air missiles for

European-made aircraft, with substantial export prospects. This new pan-European alliance heads off a potential split in European ranks, Matra and LFK. the missile subsidiary of Daimler-Benz Aerospace, had threatened to produce their own design for the UK contract, in competition with a longstanding BAe-GEC-

Saab-Alenia grouping. Now that has been avoided, the competition is likely to boil down to a fight between the European consortium and Hughes, the US defence electronics company, which manufactures the leading

m the beid. The Eurofighter was originally designed to use the Hughes advanced medium range air-to-air missile (Amraam), but advances in Russian aircraft and missiles mean that a more modern

Hughes can be expected to fight hard to win the UK contest, as it currently has a near

Page 3

Yeltsin firm on election date,

included in any expulsion list if

the spying row deepened. The UK government has been reluctant to make any move that might weapon is needed. push Mr Yeltsin into a more aggressive anti-western policy.

Continued on Page 14

German labour market still weak despite fall in jobless

a show of strength for the voters.

The FSB described the arrested

man as a civil servant who had

sold political and strategic

Mr Andrew Wood, the British

ambassador, was summoned by

deputy Russian foreign minister

Mr Sergei Krylov, and handed a

list of names of diplomats who

were deemed personae non grata

for alleged espionage.
"It emerged during the very

first interrogations that the

young man had no ideological or political motives for his work,"

the ltar-Tass news agency said.

If tit-for-tat expulsions go

ahead they would amount to the

"He did it for the money."

secrets to London.

The number of Germans out of work has fallen below 4m for the first time this year, according to official figures for April released

But the figures were described as "disappointing" by Mr Bern-hard Jagoda, head of the federal labour office, amid signs that higher than expected spending on unemployment pay could put pressure on the planned DM70bu (\$46bn) package of spending cuts unveiled by Chancellor Helmut Kohl last month.

Analysts said the improvement had come about mainly because the end of the severe winter had brought more workers on to construction sites, helping to revive the struggling construction industry, and could not be read as a sign of substantial improvements in the economy.

The headline figure for the number of people without jobs fell to 3.97m, or 10.4 per cent of the workforce, down from 4.14m

62,000 to 3.94m, down from 4m in March, but still 363,000 more than in April last year. Mr Jagoda said: "The need for

improvement after a bitter and long winter was much greater. All-in-all the labour market figures do not represent a positive report on economic develop-Mr Thomas Mayer, economist

at the US investment bank Gold-man Sachs, said: "Abstracting from weather effects, the labour market remains weak." He added: "In particular, there are no signs of a pick-up in employment or an acceleration in the moderate increase of new job

Any significant improvements in the labour market would depend on a rise in business confidence which had not yet been detected, Mr Mayer said. Mr Jagoda warned that the

higher-than-expected rise in the

in March. The seasonally adjusted figure showed that the number of jobless had fallen by number of unemployed this year meant that his agency - which runs the country's unemployment offices and pays out mem-ployment benefit - was DM1.3bn over budget for the first four mouths alone.

A Russian militiaman guards the main gates of the British Embassy in Moscow on the day the spy row broke out

biggest UK-Russian spy row since

the expulsion of Soviet and UK

diplomats and journalists in May

after the UK government claimed

to have uncovered a major Soviet

intelligence services set up fol-lowing the dissolution of the

KGB. Regarded as more hardline

than the SVR, the foreign intelli-

gence service, it is led by Mr Mik-

hail Barsukov, an outspoken

critic of the west, although yes-

terday's move appears to have had the approval of President

A recent UK parliamentary

The FSB is one of the two main

spying network.

Yeltsin

1989 - 11 from each country

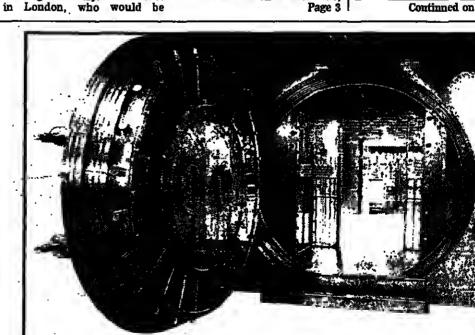
The agency's growing deficit is likely to be of special concern to Mr Theo Waigel, Germany's finance minister, who plans to find at least DM8hn of the DM70bu planned spending cuts for 1997 by reducing the government's payments to the Nurem-berg-based labour office.

In a further sign of the difficulties facing the government's DM70bn savings package, dubbed a "programme for growth and employment", the opposition Social Democrats yesterday warned that they would oppose any cuts in the size of federal government transfers to the labour office in Nurem-

Walgel tax plea spurs pensions debate, Page 2; Lex. Page 14

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Cost of Crédit Lyonnais blaze may be over FFr1bn

By David Owen in Parts

The cost of the fire that ripped through Crédit Lyonnais's imposing Paris beadquarters on Sunday could be more than FFr1bn (\$190m), Mr Jean Peyrelevade, the French bank's chairman, said yesterday.

As firefighters turned their attention to clearing away debris from the devastated building, Mr Peyrelevade told journalists that the cost "must be several hundred million

INTERNATIONAL NEWS DIGEST

body found

Ex-CIA chief's

A body found in a Potomac River tributary yesterday was that

of Mr William Colhy, former CIA director. Police said Mr

Colby's widow had identified the body that washed up near their weekend bome about 40 miles south of Washington.

Mr Colhy, 76, who disappeared while canoeing on April 27, was renowned as the former US spymaster who gave

congressional investigators evidence of CIA power abuses in the 1970s and ushered in an era of reforms.

He had been the subject of a search by divers, sniffer dogs and helicopter teams since neighbours reported him missing

The marked slowdown in Hong Kong's economy last year was

confirmed yesterday by the release of statistics showing real

The downturn, which saw GDP rise by just 3.2 per cent in the final quarter, compared with the same period in 1994, reflected weak consumer demand and a slowdown in export

Hong Kong's government is forecasting real GDP growth of

5 per cent this year, but economists expressed caution about a rebound. Mr Ian Perkin, chief economist at the Hong Kong

spending,
"All those things must be doubtful at the moment," he said,
referring to trade and consumption statistics for the first three

much on whether there is a strong pick-up in the second half."

John Ridding, Hong Kong

general chamber of commerce, said growth prospects would depend on conditions in the Chinese and US markets and on

whether there was a revival in Hong Kong consumer

months of this year. "We are going to have a weak first

quarter and a weak first half, so growth will depend very

Germany to reconsider land

Germany's federal constitutional court is to reconsider the

The unification treaty of 1990 refrained from setting

provisions for land expropriated between the second world

partly because of fears that the Soviet Union might block the

whole unification project. Property expropriated after 1949 by the East German government or before 1945 by the Nazis was

decided to reconsider it after a complaint by a citizen whose

Jobs cloud Australian prospects

Economic data released yesterday threw up conflicting signals

on the state of the Australian economy and on the extent and

timing of the widely expected recovery in the second half of

Statistics showed consumers were happy to spend their

money and private consumption was continuing to undergin

economic growth in the first quarter of 1996, but the outlook

Retail trade rose by 0.3 per cent in March, figures released

15th rise in the last 16 months, and continued a recent pattern

Also released yesterday, however, were weak figures in the

ANZ Bank's job advertisement series, a forward indicator of

the labour market. Job advertisements fell 8 per cent in April,

per cent in the last three months. The series was at its slowest since November 1991, when the economy was emerging from

Hopewell firm on transit system

Hong Kong's Hopewell Holdings will maintain a majority staka in its long-delayed mass transit system for Bangkok,

company chairman, Mr Gordon Wu said. He spurned offers

from Italian-Thai Development, Thailand's largest contractor,

and Bangkok Bank, the country's largest bank, to take over a majority interest in the \$3.2bn project, and told the Bangkok

Post: "I have given the government a commitment that I will

keep the majority of shares in Hopewell (Thailand), and that is

one of the main conditions the government set in awarding me the project. I cannot break my commitment."

capital to Bt15bn (\$593m) from Bt6bn and that be would sell up

to 30 per cent of the company to Thai investors. "If they want

more than the maximum [of 30 per cent] we cannot meet their

Hopewell won a 30-year concession to build and operate the

mass-transit scheme in December 1990 but piling did not begin

until May 1994 and there has been only limited progress since

then. That authorities have insisted the system be ready for

the 1998 Asian Games in Bangkok. For several months,

demands," he said.

Mr Wu said his Thai subsidiary was raising its registered

the largest monthly fall since January 1994, and are down 14

by the Australian Bureau of Statistics showed. This was the

of being above market expectations. Real retail trade in the March quarter rose by 1.4 per cent.

The constitutional court upheld this decision in 1991 but has

war and the founding of the former East Germany in 1949,

to be returned to the original owners.

for job seekers had darkened slightly.

property was expropriated.

case of the 3m hectares of land in eastern Germany expropriated during Soviet military rule between 1945 and 1949

but excluded from restitution following German unification in

growth of 4.6 per cent in GDP, compared with a revised rate of

years, became one of America's best known experts on

HK slowdown confirmed

5.5 per cent for 1994.

He beaded the CIA from 1973 to 1976 and, in his retirement

He said the fire was "one more difficulty" for the state-controlled institution, which recently announced a return to profit after stunning markets with a loss of FFr12.1hn in 1994. "But we will resolve it," he said. "The bank will perhaps be affected, but certainly not its clients."

His remarks came as traders normally based in the bank's main

francs" and was "probably more than a billion".

French dealing room for currency and interest rate markets - thought and interest rate markets – thought to have been entirely destroyed by the fire – sought to resume operations from three separate loca-tions, with a small number dis-

> Mr Peyrelevade said the bank's market operations were continuing as normal. "The big difficulty we are having is with our internal com-munications, but not with the outside world," he said.

The hank said safety deposit which is classed as a historical monboxes located in strong rooms in its Paris premises, which occupies a between the Bourse and the Opéra, had not been damaged by the hlaze. The huilding houses about 9,000 safety deposit boxes.

The bank said measures were heing taken to protect the goods deposited by clients. Clients would be "informed personally" as soon as the premises were accessible. Mr Peyrelevade said the huilding,

ument and normally houses 2,500 staff, was insured for between FFr1bn and FFr2bn with a pool of insurers led by Assurances Générales de France, this year.

Last year, the French government was forced to announce a rescne plan allowing the bank to remove FFr135hu of largely loss-making loans and investments from its bal-

The hlaze, which involved 150

firefighters, is one of the higgest disasters to have befallen a Paris office block in recent years. Fire-fighters are expected to keep up surveillance of the building for at least

another four days.

The inquest into the cause of the fire is expected to be long and difficult. It is not yet known whether reconstruction of the late nineteenth-century huilding will be pos-

Observer, Page 13

By Robert Graham in Rome

inflation

Concerns

over

Italian

target

The steady downward trend in Italy's rate of inflation halted in April, raising concern that the new government would face an uphili battle to achieve the 3.5 per cent end-year tar-

Consumer prices increased 0.6 per cent in April, giving an annualised rate of 4.5 per cent. according to figures released yesterday hy Istat, the official statistics institute. In the previous four months the annualised rate of inflation had consistently fallen.

An Istat statement blamed the unexpected halt on the higher cost of petrol and an increase in white meat prices as consumers switched away from red meat in the wake of the scare over mad cow disease. The figures also reflected the weight of housing in 6.3 index, with rents showing their greatest increase in April.

Representatives of the three main trade union confederations immediately claimed the outgoing caretaker government of prime minister Mr Lamberto Dini bad failed to tackle inflation and called on the incoming centre-left administration to give top priority to lowering consumer prices. Statements from all three confederations said there was an urgent need to protect wages from further erosion by infla-

Under tha 1993 agreement between the government, unions and employers abolishing indexation, wage increases were linked to productivity and programmed inflation. The actual rate of inflation has been consistently at least one percentage point higher each

The unions did not mention a return to wage-indexation, favoured by Reconstructed Communism, formed from the hard-line of the old communists and an essential component of the centre-left govers, ment's parliamentary majorit." However, they called for the introduction of an incomes pol-

The worrying aspect for the next government is that inflation remained at 4.5 per cent in April even though the lira strengthened and labour and production costs declined. In addition a six-month freeze on a number of key tariff

Mr Antonio Fazio, the governor of the Bank of Italy, has made a cut in the discount rate conditional on inflation going below an annualised 4 per cent. Thus the April figures will also cast doubt on the central bank's ability to cut interest

This cut is considered an essential step towards reducing the hurden of debt service that weighs so heavily on the public accounts.

One of the main reasons for the overshoot in the latest quarterly accounts is that interest payments have failed to come down as expected.

As a rough guide it is estimated that over an 18-month period, a one percentage point cut saves L15,000bn (\$9.6bn) in interest.

Mr Dini still appears undecided whether to carry out a mini-hudget to hold the 1996 budget deficit on course for L109,000bn. In recent days the size of the corrective measures required bas grown from L10,000bn to nearly L20,000bn. If the mini-budget is of this

would prefer the incoming gov-ernment to assume political responsibility.

CDU premier of Saxony, called at the weekeod for the replace-

Proposals so far include the

government officials have been looking at ways either to get Hopewell to speed up construction or cancel the company's Ted Bardacke, Banakok tions into a pool, which pays out pensions on a formula ICL that's IT.

Energy ministers to debate Italian compromise plan on liberalisation today

EU bid to break electricity deadlock

By Neil Buckley in Brussels

Enropean Union energy ministers will today attempt to break a four-year deadlock over a proposed directive to open the electricity supply market to cross-border compe

Italy, which holds the presidency of the council of ministers, has proposed a compro-mise aimed at bridging the wide gap between the positions of states such as France, which wants only limited electricity liberalisation, and Germany, which is calling for extensive

and rapid liberalisation. The Italian compromise has been broadly welcomed by member states, and officials close to the negotiations suggested yesterday there was a better chance of agreement cross-border anppliers or

tban at any time since the Commission proposed the directive in February 1992. One national delegation put the chances at "50-50", but another official said member

political will in recent weeks to reach agreement. The sensitivities surrounding energy liberalisation, and the widely differing demand of member states, have made this one of the single market

states had shown considerable

initiatives where progress has In the case of electricity, disagreement centres on the initial and eventual extent to which markets will be opened to competition, the speed of opening, and whether only large end-users should he allowed to buy electricity from

whether distribution companies should have the same

The compromise proposes a formula which would oblige member states to open to competition ahout 25 per cent of their market, accounted for hy the higgest electricity users. The proportion would rise in stages to about 30 per cent of

the market after nine years. Ministers have previously rejected a variety of proposals, including different targets for market liberalisation for different countries, according to the proportion of their markets accounted for by large users.

During the latest discussions France has called for more lim-ited liberalisation, and a longer transition of 12 years, but is thought to be prepared to accept the Italian plan.

Whether agreement can be reached today may depend on Germany, which has called for closer to 40 per cent of the market to be opened after only five years. Under pressure industrial users which complain about high German electricity prices, Bonn is keen to promote competition.

Mr Günter Rexrodt, a German minister, hinted last week that Germany was not prepared to shift very far, warning "no directive" was better than "bad directive".

The Italian compromise also proposes that electricity distribution companies would be free to buy in the open market the volume of electricity they were supplying to those larger customers that would be in the liberalised segment of the marThe European Commission stressed it was anxious to is the best time to reach a compromise " an official said "If the debate is prolonged, that will be counter-productive.

Mr Christos Papoutsis. energy commissioner, has said that if today's meeting fails to reach agreement, he will press for the issue to be debated by the European heads of government meeting in Florence next

There have also been sugges tions the Commission could use special powers to push through a directive, or that the slow progress of energy liberalisation could become the sub-ject of special negotiations in the intergovernmental conference on the future of the European Union.

zu schlechten Verträgen nicht ja sagen

Brandenburg vote disappoints German leaders

By Frederick Stüdemann in Berlin

The city of Berlin and the surrounding region of Bran-denburg are to establish a bilateral co-operation council following the failure of the two states in Sunday's referendums to approve their merger into a single Land or state.

Mr Eberhard Diepgen, mayor of Berlin, said the council was needed to resolve disputes between the states and co-ordinate policy in areas such as structural planning, economic development and education.

The most immediate issue is where to site a new international airport for Berlin, which will be outside the city boundaries in Brandenburg. Other disputes include possible financial compensation to Berlin for Brandanhurgers' nse of services such as schools and hospitals provided by the

The result of Sunday's referendums - in which Berlin voters backed the merger while Brandenburgers rejected it was greeted with disappointment hy leaders of the two main political parties, the Christian Democrats and Social Democrats, as well as representatives from the business communities in Berlin and Brandenburg. All had hoped that a merger would deliver administrative efficiencies and stimulate investment. "We will now have to follow

the more difficult road of state treaties between the two Länder," said Mr Klaus Lan-dowsky, leader of the CDU parliamentary party in Berlin, Mr Erich Gerard, head of Siemens, Berlin, and president of

the Association of Business Federations in Berlin-Brandenburg, said in a newspaper interview: "We will certainly experience a setback. The region is threatened with stagnation."

Opponents of the merger said the result demonstrated popular refusal to follow blindly plans served up by political and commercial élites. "I think we were closer to the people on this," said Mr Lothar Bisky, national chairman of the Party of Democratic Socialism, the reformed East German communist party, the only major political party to oppose

the merger. In Brandenburg, a former east German stata, 62.8 per cent voted against, while 54.7 per cent of east Berlin voters also opposed the move. In the western part of the city, 58.7 per cent voted in favour. The result of the referen-

dums is seen as a setback for proposals to restructure the German Lander system through a series of mergers to



Mr Edmund Stolber, premier of Bavaria, said the discussion over restructuring the states should not now be forgotten. Within 10 to 15 years, the number of Lander should be reduced from 16 to eight or



Waigel tax plea spurs pensions debate

By Wolfgang Münchau in Frankfurt

Mr Theo Waigel the German finance minister, has called for all pensions to be made subject to income tax as part of a fun-damental reform of Germany's pension insurance system.

His comments, at a party meeting in Bavaria over the weekend, reflect a growing sense of unease inside the governing coalition about the state of Germany's pension insur-

Under the German state insurance system, employers and employees pay contribubased on the employee's final wage and the period of contri-

Other senior politicians from inside the ruling coalition have warned that the current pension system is safe only for the current generation of pension-"From a point of view of con-

stitutional law it is not acceptable in the long run that pensions are tax-free, while other forms of retirement income are fully taxed." Mr Waigel said. Mr Wolfgang Gerhardt, chairman of the FDP - the liberal junior partner in the coalition government - yesterday called Mr Waigel's suggestions

The opposition Social Demo-crats are also firmly opposed to a tax on pensions. Chancellor Helmut Kohl

refused to comment directly on Mr Waigel's sugrestions. The increasingly polarised debate suggests that the consensus about social policy is breaking down.

The dispute has come only a few weeks after the government announced a DM70bn (\$45.8bn) package of spending cuts. Next year, the government is planning to reform the pension system, which is in danger of collapsing under its

Mr Norbert Blum, the labour minister and the longest serving minister in the Kohl cabinet, has come under intense fire over his support for the current system.

Critics say the system has had to take on too many extra obligations, such as the recent influx of pensioners from east Germany who are entitled to benefits but have made no contributions.

> Chancellor Kohl said that the government planned to press ahead with a reform of the system by the end of 1997. Two commissions - one chaired by Mr Waigel, another by Mr Blum - are to prepare tha groundwork for reforms of the tax and pensions systems.

Mr Kurt Biedenkopf, the

ment of the current insurance based system with a basic state pension. Mr Horst Seehofer. the health minister, also warned that pensions may no longer be safe for the next generation of pensioners. A sudden replacement of the

contribution based system with a crude state pension may contravene the German constitution, so any change may have to be phased in over a long period.

creation of a state pension, taxation of pensions, a rise in the pension age, or a change in the pension formula.

By John Barham in Ankara Turkey's prime minister yesterday announced a crackdown un tax evasion as part of a drive to cut the government's hudget deficit - forecast at \$11.64hn, or nearly one-quarter of public spending, this In his first first economic policy statement, however, Mr Mesut Yilmaz gave no estimate on how much extra revenues his tax measures would raise. Nor did he give any details on how he proposed to reform the country's social

Turkey crackdown on tax evasion

security system. Economists say that the informal economy accounts for at least half of Turkey's economic activ His remarks come ahead of the arrival Monetary Fund mission to start talks on a new stand-hy loan. The statement's lack of substantial pol-

icy initiatives to tackle the deficit disap-pointed analysts - Mr Yilmaz's Motherland party has a highly regarded economic

The scale of the deficit - equivalent to obout 7 per cent of GDP - is stoking inflation, which is running at 80 per cent a year. Analysts say the social security system deficit, one of the main components of the budget gap, could be 50 per cent more then the government's estimate of over

\$5bn.
Mr Yilmaz, who took office in March at the head of a minority conservative coalition government, said: "The government's most important mission is to make structural reforms. There is a need to restructhe problem with state resources is not

He planned to reduce the social security deficit by encouraging private retirement plans but gave no details He also proposed tighter controls on

government infrastructure investments, which traditionally suffer large cost over-runs, and to increase spending oo power stations to reduce the risk of blackouts. Economic themes dominated Mr Yilmaz's his two-hour speech to journalists in Ankara. He also planned to raise the school leaving age and decentralise gov-

Mr Yilmaz must surrender power in Jan-uary to Mrs Tansu Ciller, his coalition partner and leader of the True Path party, under their power-sbaring agreement. size, some increase in taxes is likely. In this case Mr Dini

responsibility.

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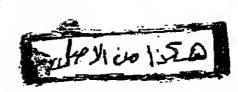
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Yeltsin firm on date for election

and Michael Lindemann

oncem

The state of the s

Mr Boris Yeltsin, the Russian president, yesterday rebuked his security chief for suggesting that next month's presidential elections should be

In an unusual rebuttal that illustrated concern for his image as the democratic incumbent, Mr Yeltsin insisted tha elections would be beld as

Mr Alexander Korzhakov, chief of the Presidential Security Service and one of Mr Yeltsin's closest friends, sent a shiver down the spines of many Russians on Sunday when he said in two interviews that June's elections should be postponed to prevent blood-shed between rival parties.

Russian television broadcast new polls indicating Mr Yeltsin had caught up with Mr Gennady Zyuganov, the Communist front-runner, but other

polls still show a wide gap.
"Several people, not only
Korzhakov, believe that Mr Zyuganov's victory would be the beginning of a civil war, Mr Yeltsin said. "I trust in the wisdom of

Russian voters. That's why elections will be held in the period determined by the constitution."

Mr Yeltsin said he had "told Korzhakov not to meddle in politics and not to make such statements any more".

The president's remarks coincided with an appeal by a group of 13 prominent businessmen for the president to strike a compromise with Mr Zyuganov.

In a clear reference to Mr Korzhakov, the group said "extremist forces surrounding the main political players once again reared their heads" with "calls for an unconstitutional delay in elections".



President Yeltsin (left) with Alexander Korzhakov, his blunt-speaking security chief

the group last week sparked a furious debate among politi-cians and the media, with most insisting that Mr Yeltsin could not invite Mr Zyuganov to join his government but should let

voters decide. Mr Korzhakov's remarks first appeared to have been a spontaneous response to a reporter from the Observer newspaper, but he then con-firmed them to Russian reporters. Mr Korzhakov's few public statements have mostly been

blunt and out of kilter with his superior. In Bonn yesterday Mr Zyuga-

nov, who was on a private visit to Germany, warned that "political chaos" would break out if the elections were post-Mr Zyuganov said any such

delay would be contrary to constitutional provisions which set out the timing for Russian elections.

"That would mean that on June 17, a day after the pro-

posed election, every citizen of Russia could say: This is not my government. I did not vote for this president'. It would mean that political chaos would break out in Russia."

Mr Yeltsin has consistently sald the elections would be held on time, but analysts predict he may change his mind if ha does poorly in the first round, on June 16. Voting on that day should be followed by a run-off vote between the two

Hungarian bank offers help in sell-off dispute

OTP, Hungary's powerful national savings bank, yesterday launched a scheme to help cash-strapped local authorities sell their minority shares in the country's partially privatised regional gas distribution companies (GDCs).

The scheme could provide a neat solution to a bitter and politically sensitive row between local government and APV, the state privatisation agency. The dispute has entangled the foreign gas companies which acquired control of the five GDCs last autumn.

Ragional councils are together due to receive 40 per cent of the shares in the GDC in their aree to compensate for past investments. But many are disputing the size of the

stakes they are being offered. An unclear communist-era law has also raised hopes among minority sbareholders that they may be able to claim the same price per share from foreign investors as was paid to APV for its majority stake. Leading western utilities including Gaz de France and

Germany's RWE and Ruhrgas - paid a total of \$460m for stakes of 50 per cent plus one vote in the GDCs. OTP is offering to pool the shares, which are due to be split among more than 1,000 town and village councils, and

to sell them mainly through a share offer and a stock market listing. It is also expected to give strategic investora the chance to increase their stakes. OTP said it would pay local authorities 30 per cent of the

the proceeds if it managed to sell the shares for more in offerings planned for early next year. Its offer is dependent on it receiving at least 75 per cent of the councils' shares

in each of the GDCs.
It claimed its offer was the best made so far to the municipalities. However, a senior privatisation official said some councils had already received far higher offers.

OTP has a virtual monopoly on local government banking. Some analysts suggested the councils, aome of which are experiencing financial difficulties, might feel under pressure to sell their stakes to the bank. OTP is being advised by Schroders, the UK merchant bank, and Creditanstalt Securities, the Austrian bank's local

Fight against inflation 'will remain priority'

orities will remain a outlined by indebtedness, against the back-ground of structural reform of the social security and welfare system, according to Mr Peter Medgyessy, the Hungarlan

In an interview, Mr Medgyessy, who three months ago replaced Mr Lajos Bokros, the outspoken joint architect of Hungary's March 1995 austerity programme, said all his efforts "go towards reducing inflationary expectations and the causes of high inflation. These include a dysfunctional social security system and

high interest rates' Inflation, which fell to an average of 29 per cent lest year, should decline further to about 20 per cent by December compared with a year earlier. Last year Hungary reduced its net foreign debt by \$1.5bn to about \$18bn. It has enjoyed a steady rise in its credit rating since the austerity package

ungary's economic pri Policy goals are reduction of the import sur-Hungary's finance minister

> and introduced higher taxes. A crawling peg devaluation system and an 8 per cent import surcharge also helped shift resources into exports and investment and cut imports.

The combination of devaluation, lower real wages and a 14 per cent rise in labour productivity in industry led to a sharp Improvement in the competitiveness of Hungarian exports last year. Imports, meanwhile. were beld back by the import surcharge and lower real

This year, however, Hungary faces a struggle to maintain this competitive advantage. Its currency, the forint, is appreciating in real terms as the 12 per cent monthly rate of crawling peg devaluation fails to keep pace with inflation, while the government plans a phased

Last year the balance of payments improved by \$1.5bn and \$4.5bn in foreign capital flowed into the country. But Hungarians paid a high price as real incomes dropped 12 per cent and consumption fell 5 per cent, "Incomes will drop a further 2 per cent and possibly more this year," the minister added.

Looking ahead, Mr Medgyessy said Hungary could expect steady growth of 3-5 per cent over the rest of the decade in the official economy, supplemented by an unofficial "black economy" which contributed an estimated additional 30 per cent to the official GDP.

A new bankruptcy law speeding up the closure of lossmaking companies, and the need to service the highest per capita debt in the former communist world, were constraints which precluded the prospects for higher growth without reigniting inflation, he said.

Anthony Robinson

Nato hopefuls let their impatience show

he ex-communist states of central Europe, long frustrated by the technicalities that must be negotiated before they join the European Union, are now fretting about something else - western backsliding

Diplomats from Poland, Hungary and the Czech Republic, seen as the prime candidates for Nato membership, have issued discreet warnings about an antiwestern backlash in their countries if

the enlargement process is delayed. On one hand, a tour of former Warsaw Pact capitals by Mr Javier Solana, the Nato secretary-general, has fuelled bope that by early 1997 the alliance will lay out a detailed programme for

absorbing new members. On the other, the central Europeans we again detecting nervousness in ome western quarters about the effect sia, which is firmly opposed to the idea. While Mr Solana was careful not to name countries or timetables, officials in Warsaw, Budapest and other ex-communist capitals were left with the impression that Nato was already work-

ing to a rough game plan. Under this scenario the winner of the US presidential election will invite the leaders of Nato's 15 other member states to a summit next spring. The summit would settle the "who and when" of expansion, with first admis-

sions by the year 2000. Competition to be included in the first wave of enlargement will be intense. "Our voters would find it hard to understand if we were left out," said

one Hungarian diplomat. But there are still inflnential figures in western Europe who see no reason why Nato should be in a hurry to incur that expansion is bound to bring.

Mr Hans van den Broek, the Euro-pean Union's external relations commissioner, is understood to have told officials in Washington last week that he saw "no evident urgency" in the proposal to enlarge Nato.

He also argued that the "wider context" - or, in plain language, ties with Russia - should be taken into account when setting a timetable. He added that there should be some correlation between the enlargement of Nato and

The commissioner believes that the EU is unlikely to accept any new members before 2002 at the earliest, so his proposal would imply a considerable slowing of the pace of Nato ex-

The US State Department also says the two institutions should enlarge at. roughly the same pace, but on US lips

expansion has always been strongest in the defence ministry, while the foreign ministry - without opposing expansion

this formula has a different meaning: it

amounts to a plea for the EU to avoid letting its own enlargement lag behind

In Germany, support for early Nato

the brisk pace of Nato expansion.

 puts more emphasis on the need to maintain Russia's confidence. Neto's southern members, and smaller countries such as Belgium, have often grumbled in private that

expansion could dilute their relative weight in the alliance. But in practice such doubts will probably be suppressed if the US takes a firm lead. In the disarming words of an Italian official: "We do not think Nato should enlarge against Russia's wishes.

But it depends on Clinton, not on us."



Probably the best been in the your.

Mexican

go-ahead

One of Mexico's most

important infrastructure pro-jects is set to get off the ground after years of delays.

Construction on the \$647m

Samalayuca II combined cycle

thermo-electric plant, for which a concession was granted in 1992, should begin

in the next few weeks.

The 700MW plant, in the

northern state of Chihuahna,

will mitially be fuelled by natural gas from Texas. The project, which will be

Mexico's first privately

The final project documents

try's Federal Electricity Com-

ownership 20 years after

Progress on Samalayuca

may bode well for another long-delayed project, a 440MW

plant known as Merida III, the

cost of which the government

has estimated at \$900m. The

Merida III concession should

Despite Samalayuca's status

as a hig private sector initia-

tive, a significant portion of

the financing is coming from

The members of the consortinm huilding the plant, including divisions of General Electric and Bechtel Enter-

prises and the El Paso Energy

Corporation - all of the US -and Empresas ICA, Mexico's

argest construction company,

will provide \$132m in equity

financing, with GE Capital of

the US responsible for 40 per

Bnt although a group of

banks led by Citibank of the

US will provide \$440m of debt

financing, the money will be

replaced after construction in

36 months' time with a loan

non-private sources.

cent of the total.

be granted in March 1997.

operations begin.

power

By Daniel Dombey in Mexico City

Buthelezi fails to achieve go-ahead for KwaZulu/Natal poll

Pretoria postpones election

By Roger Matthews in Cape Town

The South African government agreed yesterday to postpone local elections in the troubled province of KwaZulu/Natal for the second time, after a tense cahinet meeting that lasted for

Chief Mangosuthu Buthelezi. the leader of the mainly Zulu Inkatha Freedom party, argued strongly for the elections to go ahead as scheduled on May 29. He said later: "I hope this decion to postpone the elections will have a calming effect. I hone it will not unleash forces that we cannot control."

Chief Buthelezi had earlier threatened to walk out of the government of national unity, in which he serves as home affairs minister, if the elections were again put off as demanded by provincial lead-

National Congress. But be said last night that the "unanimous" cahinet decisioo to put off voting until the end of June would strengthen his party's

Mr Chris Fismer, the minister for provincial affairs and constitutional development. said the postponement was designed to improve the atmosphere in the province and enhance the legitimacy of the elections, orginally scheduled for November 1 last year. The likelihood of a further delay increased at the weekend after three policemen and a civilian were injured when shooting

rally in central Durban. Ministers and political leaders yesterday shuttled between the cahinet meeting and the constitutional assembly where.

struggling to reach agreement on the text of the new constitution just 36 hours before it must be put to the vote.

The ANC has gone ahead

and printed its version of the final text, despite continued disagreements over three of its clauses. A two-thirds majority of the constitutional assembly is required for the constitution to be adopted, which forces the ANC to attract 18 votes from the minority parties.

If no last-minute bargains

are struck, and the ANC fails to achieve a two-thirds major-ity, the draft constitution will he submitted to a panel of seven experts who will have 30 days to suggest possible com-promises. Should that also fail to resolve the deadlock, the draft constitution will be put to a national referendum.

the potential political damage that further delays will cause and the risk of increased pressure on the rand. The currency has lost 18 per cent of its value against the dollar stuce mid-February and it weakened again yesterday. The three issues blocking

agreement on the new constitution are the right of employers to lock out workers during a strike: property rights; and the role of language in educa-tion. The ANC helieves it has answered trade union demands that employers should not be given the constitutional right to impose a lock out, as demanded by the National party. This has been achieved hy inserting an "interpretation" of the bill of rights which says provisions in the labour relations act, including the lockout will remain in force

Israel pressed on UN shelling

By Julian Ozanne in Jerusalem

Israeli and Palestinian negotiators wound up inaugural talks on a permanent peace settlement yesterday as Israel hrushed aside mounting accusations that it knew civilians would be killed when it bombarded a United Nations compound in Lebanon last month. In the Egyptian Red Sea

Palestine Liberation Organisation said in a joint communiqué: "The two sides reaffirmed their determination to put an end to decades of confrontation and to live in peaceful coexist-ence, mutual dignity and secu-

Both sides said that negotiations on a permanent peace agreement would be long and tortuous involving questions

the Middle East conflict for almost a century. The issues include control over Jerusa. lem, Palestinian statehood, final borders and the right of return of hundreds of thousands of Palestinian refugees. However, Israel and the PLO committed to reaching a final agreement within three years based on UN Security Council resolutions calling for Israeli

territorial compromise in

return for peace. The successful conclusion of the first round of final status talks will boost the campaign of Mr Shimon Peres, the Israeli prime minister, who faces tough elections later this month on a platform of making peace with Arabs.

But the growing row over Israel's possible disregard for civilian life in its 17-day bom-

bardment of Lehanon last month will harm Mr Peres' credibility. Israel is under pressure to answer charges that it knew innocent Lebanese civilians, mostly women and chil-dren, were taking shelter in the UN base which it shelled, killing 102 people.

The UN has demanded that Israel answer the allegations. An army committee of inquiry has said Israel had no idea that civilians were using the UN base as a safe baven

The army said it did not intend to shell the UN hase and that the direct hits were a result of miscalculations as Israeli gunners sought to halt mortar and rocket fire by pro-Iranian guerrillas near the

Israel has also denied UN allegations that it had a spy leaked UN amateur video. which is part of an investiga tion into the incident hy Mr Boutros Boutros Ghali, UN secretary general, has shown a pilotless spy aircraft known as a drone near the UN base before the artillery bombardment. This has embarrassed the government.

Mr Peres yesterday denied Israel had lied when it said previously that it did not have a drone above the base. "No. This is a totally unfounded story." he said. "There was a drone in the vicinity hut not above the place. And the fact that someone with a camera on the land has taken a picture of the drone doesn't mean that the drone was overhead and could have seen anything." However, the UN renewed its allegations that Israel had not

Sharansky aims at balance of power for Russian immigrants

Votes for the former Jewish dissident could damage Peres, reports Julian Ozanne

Mr Natan Sharansky, a worldfamous symbol of Soviet Jew-lsh dissidence, was once the Self-proclaimed king of the Russian Gulag. Now he hopes to emerge as the kingmaker of Israeli politics in the country's elections later this month.

Polls suggest Mr Sharansky's new Yisrael Ba'Aliya party, which represents the interests of about 650,000 new "Russian" immigrants who have arrived in Israel from the former Soviet Union since 1988, is likely to win six seats in the elections on May 29. This would be sufficient to give him the balance of power in Israel's next parliament.

If so, Mr Sharansky promises to teach Israel bow to be a more democratic, liberal and less oppressive society, and to launch a crusade for a new

"We are against the idea of Israel becoming a post-Zionist society and we are against the paternalistic Zionism and the melting-pot ideas of the old political parties," Mr Sharan-sky said yesterday.

He said: "We are for a new Zionism which will put new immigrants and more immigration at the centre and which will huild a state capable of attracting more Jews and fully using their potential, their spiritual and mental riches which came out of the long

struggle to survive." But if Russians vote beavily for Mr Sharansky it could dam-Prime Minister Shimon Peres' Labour party, which won the overwhelming majority of Russian support in the previous

elections in 1992. A strong Russian party would redraw Israel's complex coalition political map. With Mr Sharansky more closely identified with the rightwing opposition to the peace process it could also endanger the fragile parliamentary coalition which has, sometimes with only a one-vote majority, just

drive for Middle East peace. The Russian vote has emerged as a critical force in the forthcoming elections. According to the voters' regis-ter the 450,000 new Russian immigrants who have signed up to take part in the poll comprise about 11.5 per cent of the



Natan Sharansky: seeks to teach Israel how to be more democratic and less oppressive

member Knesset, in 1992 the Russians, disillusioned with the previous Likud government's failures, voted by a large majority for Lahour. helping it to regain power for the first time since 1977.

But, despite the efforts and resources devoted by the Lahour-led government to absorb the new immigrants. Russian frustration remains high. Mr Sharansky, who pre-viously spurned national politics, has built his party as the vehicle for discontent.

A poll published in yesterday's Yediot Ahronot daily newspaper showed 38 per cent of Russians backed Mr Sharansky's party compared with 24

ence, technology and engineering. Many are still struggling establish a decent standard of living in an increasingly wealthy Israel. Furthermore more than half

of Russian immigrants say in polls that Israel absorbs them with indifference or hostility. They believe they are more closely identified by native Israelis with the Russian mafia, prostitutes and pimps than with the phenomenal economic contribution they have made to the country.

Mr Sharansky has mobilised this discontent into a powerful political force saying that Israel has failed to make absorption of new immigrants,

'We are for a new Zionism. which will build a state capable of attracting more Jews'

per cent who said they would vote for the rightwing opposi-tion and 21 per cent who support the Labour party. Compounding the desertion

of Labour hy the Russians is the failure of the party to promote Russian parliamentary candidates in recent primary elections. Labour reserved one slot on its electoral list for a new immigrant but an Ethiopian won the position and Labour subsequently was forced to add Ms Sofa Landver, a Russian activist, to the list in an extraordinary vote hy the

party's central council.
The new immigrants are articulate and highly educated and, although just 10 per cent of them are unemployed, only a third are working in their traditional professions of sci-

one of the central pillars of Zionism, a priority equal to the peace process with Arab neigh-

He said: "Every minister wants to become a member of the inner security cahinet hut not the inner absorption cabi-net. If a minister finds himself in the absorption cahinet by mistake they go to sleep

there." Many Israelis believe that the Russians, who received extensive government grants, complain too much given the overwhelming task the government faced in absorbing so many oew immigrants. They also warn that Mr Sharansky threatens to re-ignite ethnic

The success of Israel bas been the equivalent of the

United States absorbing the entire population of France over a five year period," said Ms Deborah Lipson, an Israeli who has been active in Russian absorption for several years.

"No Russian is starving and none are homeless hut for many Russians there are real reasons to gripe. Employment is of prime importance to Russian Jews because they define their social status by their pro-fessional status."

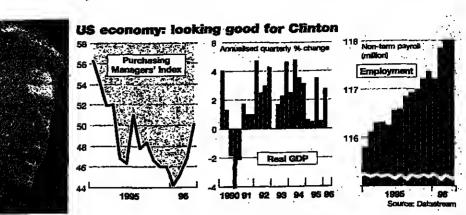
Israel's new system of direct election of the prime minister has also allowed an ethnically based political party to emerge. Mr Sharansky has told his supporters to follow their conscience in the two-man race for the premiership, where the issue will be overwhelmingly the peace process, and split their ticket to vote for his party for parliament.

Fortunataly for Mr Peres 50 per cent of Russians support the Labour leader compared to 40 per cent who back rightwing challenger Mr Benjamin Netanyahu. But the Russian vote will take away seats from Labour in the parliamentary poll. At best the Labour party is expected to win 45-46 seats. leaving it 16-17 seats short of a parliamentary majority, assuming Mr Peres wins the race for the premiership as cur-

rently predicted by the polls. So even if Mr Peres wins the premiership election he will be forced to strike a bargain with Mr Sharansky as the Russians take over the role of power-broker in coalition forming which has been traditionally held by the ultra-orthodox parties. And Mr Sharansky, who makes fur-ther peace moves with Arabs conditional on greater democratisation of Arab regimes, is

Faster US growth spurs both cheer and alarm plant wins

Politicians, Wall St at odds, writes Michael Prowse



igns of faster economic growth in the US are provoking very different

financed power plant, was stalled for years despite legal reforms in 1992 which forpoliticians mally opened up the Mexican Earlier this year, the White electricity sector to private House feared a stagnant economy might damage President were signed last week.
Particularly troublesome Bill Clinton's re-election chances. Republicans sounded all too credible when they were thought to be the workings of the project's haildreferred grimly to a "Clinton lease-transfer framework, which establishes that the crunch" caused by tax increases imposed in 1993. plant will be run by the coun-Mr Clinton, it was implied, might suffer the same fate as mission, which will acquire Mr George Bush, whose 1992 campaign was torpedoed by

the perceived weakness of the The project has become espe-But last week jubilant Clincially important because of the ton administration officials government's plans to attract nearly \$9bn in investment in scrambled to claim credit for: the power sector np to the The highest level of conyear 2000. "The conclusion of sumer confidence in six years and a helated recovery in the the Samalayuca financing is key for the credibility of the process [of energy liberalisa-Purchasing Managers' index. signalling an expansion of tion] and also for creating a manufacturing production, model to be used in future," Real economic growth in said Dr Héctor Olea, president the first quarter at an annualof Mexico's Energy Regulatory ised rate of 2.8 per cent. about

> up sharply from 0.5 per cent at the end of last year. A fall in the unemployment rate to 5.4 per cent, matching the lowest level in the past 18 months and close to most economists' definition of "full emplovment".

On Wall Street the growth figures created a dour mood and sent the yield on the benchmark 30-year Treasury bond soaring above 7 per cent for the first time in nearly a

Yields on shorter-dated securities rose even more sharply, reflecting investors' fears that the Federal Reserve would be forced to raise short-term interest rates in the near future - if not later this month, then at its policy meeting in July.

The fragility of honds has
not yet caused a meltdown in the stock market. But it has created an uneasy mood: share prices are now moving side ways, having climbed rapidly

for more than year. for more than year.

Bonds are taking a hammering because of the violence of

the change in financial expectations.

A few months ago, traders were seriously weighing the risks of recession. They had every reason to expect the Fed to cut short-term rates to about 4.5 per cent by late summer against 5.25 per cent today, a move that might have allowed long bond yields to drop below 6 per cent. The hasty re-writing of eco-

nomic scenarios has inevitably fuelled fear of inflation, which was hubbling up anyway hecause of recent sharp increases in the price of oil, grain and other commodities. in Washington such worries

are seen as greatly overstated. The White House Council of Economic Advisers argues that the increases in oil and grain prices will he short-lived because they reflect temporary distortions.

Grain prices have soared because of the drought in the Midwest, hut the impact on consumer prices will be modest because cattle berds will be slaughtered, reducing meat prices. An unusually long and cold winter, meanwhile, has put shori-term pressure on oil stocks, most evident in soaring

Administration economists also emphasise that the eco-nomic rebound, while welcome, is so far comparatively modest, Growth at an annual ised rate of 2.8 per cent should not be seen as threatening after a stagnant fourth quarter. Gross domestic product is only .8 per cent higher than in the

first quarter of last year, The composition of growth is encouraging the strongest ele-ment was a surge in husiness grew at an augualised rate of . 14.5 per cent in the first quarter. If investment stays strong, industrial capacity will rise, reducing potential inflationary

pressures. And although the jobless rate fell sharply last month, non-farm payroll employment (which is generally seen as tha more important indicator of

labour market conditions) rose

hy only 2,000. This was far below expectations and surprisingly weak following an average monthly gain of 221,000 in the first quarter. Employment fell significantly last month in manufacturing

and construction, adding fur

ther credence to claims that

growth will remain fairly mod-

Wall Street's fear of infia dissipate quickly. Analysts know commodity price increases do not necessarily translate into price gains at the consumer level. But they are uncomfortably aware that food and energy prices have often served as leading indicators of a broader-based rise in

inflation. And some acceleration in retail price inflation has already occurred; the consumer price index for April may well show a rise of 0.4 per cent for the third time in four months. This could suggest the annual rate of inflation is ratcheting up to a 3-4 per cent range against 2.5-3.0 per cent in

the recent past. But with the johless rate so low, the single biggest worry is pressure from wages. Two indiators last week flashed warning signals. The wage compo-nent of the Employment Cost Index - the Fed's fevoured measure of labour costs - rose more than expected in the first quarter. And in April average hourly earnings rose an unex-pectedly sharp 0.6 per cents, taking the annual increase by

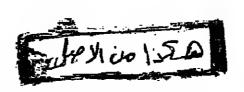
3.1 per cent. Since the Fed is now committed to a policy of pre-emptive strikes against inflation, the equipment investment which short-term rates has undoubt-

> History suggests Fed officials heve few inhibitions about tightening in an election year, but they prefer not to appear partisan by acting during the

final stages of a campaign. So if the economic data stay strong and the Fed decides higher rates are prudent, it is likely to move in the next few

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

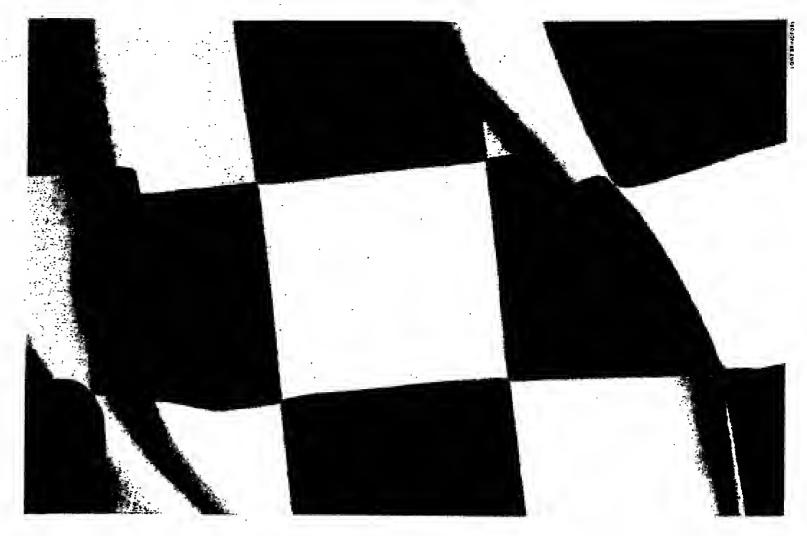
This table shows growth rates for the most widely followed measures of nurrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages. **W** UNITED STATES # JAPAN **GERMANY** Broad Money (M2) Marrow Marcy (M1) 6.9 10.S 8.4 4.1 2.6 5.2 4.S 3.0 S.4 8.2 1.79 2.21 2.61 2.22 2.11 2.38 2.45 2.11 1.23 0.66 0.43 0.49 3.27 3:05 2.68 3.16 6.03 S.79 6.73 S.30 0.9 2.1 2.4 3.1 3.5 3.7 3.9 4.3 4.6 5.0 5.8 3.3 2.9 2.9 2.8 2.7 3.4 3.1 2.8 3.0 3.35 2.96 2.91 3.25 2.97 2.89 2.86 3.10 3.19 3.18 3.23 0.91 0.96 0.91 0.85 0.82 0.83 0.77 0.75 0.75 3.7 2.4 2.9 3.4 3.5 4.0 4.4 6.3 8.2 9.7 2.10 2.08 2.01 1.97 1.96 2.04 1.97 1.88 1.91 1.88 6.86 6.70 8.79 6.71 6.59 6.56 6.32 6.07 8.90 6.18 8.44 8.39 # FRANCE W UNITED KINGDOM 2,65 2,75 3,69 2,88 3,19 3,58 3,55 3,21 2,99 3,17 Short setured: Rate
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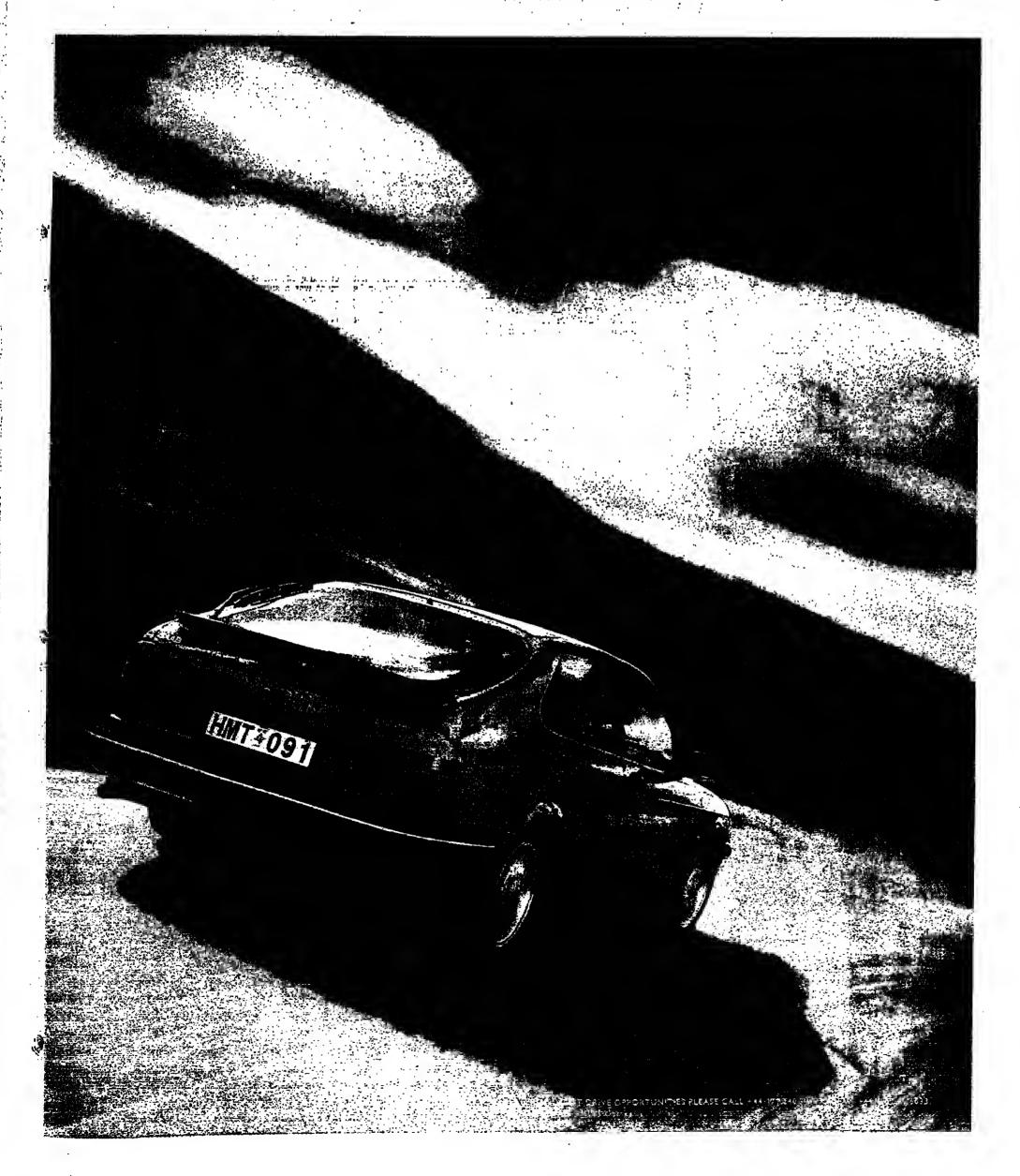
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Five-year plan sees current account deficit transformed into surplus by 2000

Malaysia forecasts slower growth

By James Kynge in Kuala Lumpur

Malaysia yesterday unveiled its seventh five-year plan, which forecasts a slight easing in economic growth and an eradication of a worrisome current account deficit.

Gross domestic product is expected to grow at 8 per cent annually between 1996 and 2000, against 8.7 per cent a year in the previous five years. Manufacturing will remain

the main engine of growth but gains will be sought increasingly from productivity rather than by hiring more workers. Higher productivity is identi-

main new motors, with its contribution to GDP growth rising from 28.7 per cent in the last five-year period to 41.3 per cent in the next term.

Economists said the plan's growth target was achievable despite fears of overheating after eight consecutive years of growth at more than 8 per cent tion boom might yield a glut in commercial property.

"A lot can happen over five years but, judging hy the cur-rent speed of economic activ-ity, Malaysia may well exceed its 8 per cent target," one for-eign economist said.

The authors of the plan, the Economic Planning Unit, forecast the current account deficit, which rose from M\$11bn in 1994 to M\$17.8bn (\$7.14bn) last year, would turn into a surplus

Officials said the deficit should not cause alarm as it stemmed partly from foreign companies importing equipment to boost production of exports. But some private economists have seen it as a sign of unhealthy growth which could apply downward pressure on the currency, the

The government's strategies for turning around the current account deficit include fostering local industries such as shipping, insurance, tourism and education to bring down the deficit's big services com-

Government spending on development is to increase 38 per cent from the previous fiveear programme to M\$162.5bn. Much of it will be ploughed into infrastructure projects snch as roads, railways and

airports.
"The development spending is within expectations," said one local economist. "It should not be too inflationary."

The plan is the most detailed of aeveral macro-economic blueprints which order Malayged economy. It acts as a set of targets for policyneurs on how the government

hopes they will act.

The chief minister of Kedah state, prime minister Mahathir Mohamad's home state, has resigned, the Malaysian premiar said yesterday, ending months of speculation over the minister's position Renter

reports from Knala Lumpur. The premier said Osman Aroff would continue as chief minister until a decision was made about his replacement. Last Friday, Salleh Said Keruak, head of the east Malay-sian state of Sabah, resigned in line with a promise to rotate the joh among the state's three

The government is keen.

however, to preveol a surge

in imports of consumer goods

as part of a strategy to turn

the country's worsening cur-rent account deficit into

The plan predicts that the

current account deficit of

M\$17.8bn (or 8.8 per cent of

surplus of M\$1.8hn in 2000,

mainly by turning a merchan-

dise trade surplus of M\$630m

in 1995 into a surplus of

Officials said administrative

measures to limit imports were

not planned but they acknowl-

edged that local industry

would be encouraged to manu-facture import substitutes.

A heavy deficit in the ser-

vices account will also be

redressed by a series of mea-

sures aimed at reducing reli-

ance on foreign shipping,

insurance, education and

finance services by nurturing

Much growth will come from

public spending on infrastruc-

ture projects, to he funded

from a public sector allocation

of M\$162.5bn, a 38.3 per cent

increase on the previous five-

surplus by the year 2000.

Thailand's PM poised to thrive on adversity"

No-confidence debate's only victims will be troublesome ministers

Olitical sparks will fly in Thailand tomorrow as the opposition launches a three-day debate of no-confidence against the government of prime minister Banharn Silpa-archa. Several unpopular ministers are likely to be the target of sustained criticism. hut Mr Banharn's seven-party coalition is expected to sur-

Instead, the debate is likely to holster the surprisingly resilient prime minister. Many pundits had given him no more than a six-month lease on government when he was elected in June. Opposition allegations of "incompetence, sleaze and corruption" will merely give Mr Banharn the tools to remove some troublesome cabinet members. Even the Democrat party,

leading the opposition into the debate, concedes it will not unseat the government, which holds a 75-seat majority in the House of Representatives. "No matter how good the

information we present, we think the government will survive," says Mr Charoen Khantawong, a Democrat MP from Bangkok. "We just want to use the debate as an opportunity to let the people know what is going on and try to create some momentum for later. A long list of charges will be

laid, ranging from suggestions that the prime minister forged his master's degree thesis to allegations that deputy finance minister Newln Chidchoh and deputy interior minister Suchart Tancharoen have profited from illegal land deals. Along with Mr Surakiart

Sathirathai, finance minister, these two ministers are most vulnerable as the opposition paints a picture of a government using political influeoce to ensure last year's estimated 680m investment in campaign spending pays off quickly.

But, notes Mr Pongpol Adi-

reksarn, chief whip of the core



Banharu Silpa-archa: more confident on political stage

ters targeted are going to be questioned on personal matters, not issues of policy". Unlike former prime minister Chuan Leekpai, whose refusal to dump his tainted ministers partly led to his downfall, the politically ruthless Mr Banharn has said ministers must defend themselves. If they canoot, he will have no qualms

about removing them. Sheer numbers are on Mr Banharn's side. Defection hy the two most disgruntled members of the coalition - the Palang Dbarma and Nam Thai parties - would not be enough to force the government's collapse, as together they hold only 41 seats.

A third possible defector, the New Aspiration party, has not yet consolidated its strength enough to contest a general election, which it hopes would propel its leader, General Chavalit Yongchaivudh the politically ambitious defence minister, to the prime minister's office. Gen Chavalit has made himself useful as a political ally by ensuring the military - always a factor in Thai politics - is now controlled by

his supporters. Seasoned politicians, along with some husinessmen and high-ranking bureaucrats, also say they like working with the Chart Thal party more than

Chart Thai party, "those minis- the Democrats, because principles rarely get in the way of a

"The Democrats want to hog the limelight, claim all the glory, because they think ther, are more principled than any one else," says a western diplomat. "Meanwhile, people like Banharn are experts at giving everyone a slice of the action Many politicians find this easier to deal with.

After some initial stumbles, Mr Banharn has grown into the premiership and has become more confident on the national and international

His simple enthusiasm was a hit at the three big gatherings be bas hosted - the Asia-Europe summit, tha Asean summit and the South-east Asian Games - while he has apparently mended relations with the palace.

He handled the government's first brush with mass public protest, when thousands of farmers complained about government abuse of land rights. astutely: he gave into the pro testers demands only after letting them roast for a month in the hot April sun, long enough for them to think twice about coming back soon.

Ted Bardacke and William Barnes

21-23 May 1996

Figance

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Upper Street London N1

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A .

4

Charting course for technology age

James Kynge on problems facing planners trying to increase productivity

Real GDP growth

bdul, a young man from Bangladesb man-A from Bangiauer ning a petrol pump, laughs when he says that the best thing about Malaysia is that "you can make a fortune

But to government planners trying to lead this nation up the technology ladder and into the developed world, the young pump attendant symbolises Malaysia's most intractable

economic problem. In its seventh five-year plan, unveiled yesterday, the govern ment made it clear that if a developing Malaysia was to compete successfully in the global economy, it had to upgrade its technology and boost labour productivity.

However, as the petrol sta-tion where Abdul works demit cheaper to hire from about 1.2m immigrant workers than to fork out for new machinery which would sharpen competitiveness in the long run. "The government wants us to change over to self-service

pumps but they cost far more to install than it does to employ people," said the owner of the garage on a Kuala Lumpur street

Economists say the garage's predicament is common to many areas of Malaysia's econ-



omy. The result may be to ieonardise a central plank in the five-year plan, which predicts that gains in productivity will contribute 41 per cent of gross domestic product growth over the next five years, up from 28.7 per cent during the

The plan envisages gains coming from a "quantum lean" in education to improve workers' skills, the upgrading of information technology and improved management techniques. "We are talking about increasing the number of students in the science and technology streams from 89,219 in 1995 to 232,000 in the year 2000," said Mr Abdul Hassan Sulaiman, director general of the Economic Planning Unit. the premier government fore-

3.2% as % of GNP casting agency which drew up the plan.

"Education will be developed

as an export industry," the

plan says, noting that foreign

8.1%

5.0%

2.8%

universities have already been invited to establish branch campuses in Malaysia. Local ecocomists and managers at foreign multinationals welcome the drive to raise the level of know-how in the workforce but are concerned that it may be too late to redress a

chronic shortage of engineers and other skilled workers for

the next few years. One manager of a high-tech foreign company said the problem of his engineers heing lured away by competitors for higher salaries was his single biggest headache. For the wider economy, too, it has had detrimental effects and fuelled annual wage rises which some pnt at about 12 per cent.

8.7%

4.0%

6,786

28%

0.4%

8.8%

Alm

8.0%

28%

0.2%

0.5%

"Bnt," the manager said, "these are just the problems of Malaysia's dynamic economy has grown at more than 8 per cent for the past eight years. The new plan envisages a

slight easing to an average 8 per cent, against the 8.7 per cent in the previous five years. Per capita annual income has risen from M\$6,099 in 1990 to M\$9,786 (\$3,920) in 1995. The trappings of new wealth are manifest in Knala Lumpur, where construction cranes are

common and young couples cruise in imported Mercedes year period. Roads, railways and airports cars, adding to traffic jams which are beginning to rival are to be built from the alloca-

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> computing while protecting our CA-Datacom enables Diners Club to migrate to

us to distributed

leaving existing applications unchanged. It gives them full and immediate advantage of the new relational structure in a very timely and cost-effective manner.

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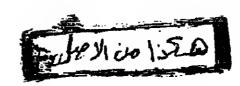
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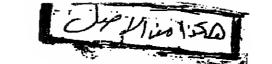
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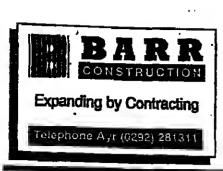
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FINANCIAL TIMES

COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1996

Tuesday May 7 1996

LEGAL DEFINITIONS

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Rowe & Maw LAWYERS FOR BUSINESS

Eurotunnel

banks may

outline plan

to refinance

by Friday

and David Owen in Paris

IN BRIEF

TURNING MAY BY

DnB posts strong first quarter

Den norske Bank, Norway's biggest financial services group, posted first-quarter pre-tax profits of NKr783m (\$119m), compared with NKr559m last time. Increased lending volumes, falling costs and an improvement in the bank's bad loan portfolio all contributed. Page 16

Static results for Hafsland Hafsland Nycomed, the Norwegian pharmaceuticals and energy group which is due to demerge later this month, yesterday reported unchanged firstquarter profits at NKr456m (\$69m), well below the near Nkr500m expected by analysts.

Algy Cluff returns to mining
Mr Algy Cluff (left) has



launched a mining company to concentrate on mining, exploration and development in Africa just four months after his Cluff Resources group was taken over by Ashanti Goldfields of Ghana for £80m (\$120m). Cluff Mining is being financed privately by Mr Cluff, who collected about

£1.6m for his Cluff

Resources shares. CM has already been appointed manager of Sominki - Société Minière et Industrielle du Kivu - which produces tin and tantalite and owns gold deposits in eastern Zaire. Page 16

Beriusconi to gain from Mediolanum float Mr Silvio Beriusconi and Mr Ennio Doris, joint owners of Mediolanum, Italy's sixth-largest life assurance company, stand to earn at least L120bn (\$77m) each from the group's flotation in Milan this month.

CME mulis change to S&P future
Has the stock market rally of 1996 left the benchmark Standard & Poor's 500 index futures too big to trade? That is a question the Chicago Mercantile Exchange has been wrestling with for the past month as it considers the future of its S&P 500 index derivatives contracts, Page 21

New World Infrastructure convertible New World Infrastructure, the infrastructure arm spun off from New World Development last October, is considering a \$250m five-year convertible bond issue to fund existing and potential projects.

Moulinex falls 10% in Paris Moulinex, the French household appliances group, which appointed a new chairman in February following a shareholder move to replace top management, fell FFr8.70, or 10 per cent to FFr78.30 in Paris. Brokers Cheuvreux de Virieu remained "very negative". It estimates the restructuring of the group would cost FFr500m-FFr1bn (\$97m-\$194m). Page 32

Within the next 18 months more than half the UK's biggest building societies look likely to have walked away from mutual status towards banking. The first will be the sale of National & Provincial to Abbey National this summer. Page 16

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Market Statistics

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Tenneco Energy

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FT Gold Mines Index Chief price changes yesterday

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TVX Gold	12.4	+	0.95		9.3	_	0.5	
Palls.		-		Manyeng Hids				
Biochees Physia	58	_	1.6	Oxford Prop	13.65	-	0.95	

Midlands accepts GPU cash offer

By Patrick Harverson in London

Midlands Electricity will announce today that it has accepted an all-cash bid from General Public Utilities of New Jersey that

GPU, which will acquire Midlands in partnership with its fellow US utility Cinergy of Cincinnati, approached the company less than two weeks ago after the

UK generating group.

Talks between the US bidders and Midlands started in earnest last week and the final details of the deal were thrashed out over the weekend.

rival is reportedly considering counter bid

likely to be lower than that, at somewhere

between 430p-440p a share.

That would still be well ahead of the 371p a share Midlands agreed to accept from PowerGen last year before the deal was blocked by Mr Ian Lang, the trade and industry secretary, on the grounds that it would binder competition in the generat-

Although at least one other US utility -

Stock market analysis had predicted to be Houston Industries - was that GPU might offer more than 450p a reportedly considering making a counter share for Midlands, but the final price is reportedly considering making a counter offer, investment bankers advising Midlands were last night playing down the likelihood that an all-out bid battle would

develop for the company The acquisition of Midlands by GPU will give the US group a firm foothold in the UK electricity industry alongside its domestic rivals Southern Company and CSW, which acquired regional electricity companies (recs) of their own in the first

GPU is acquiring Midlands in partnership with Cinergy because of US regula-

tory restrictions on overseas investment and the limits of its own size.

The group, which owns three ntility companies operating in New Jersey and Pennsylvania, has a market capitalisation of about \$3.7bn and last year mada after-tax profits of \$352.5m on revenues of

The purchase of Midlands is expected to be the first of several takeover bids for UK recs by foreign - particularly US - utilities. At the moment, only five companies remain independent other than Midlands: Northern, Yorkshire, London, East Mid-

cheaper than medicines," says Mr Matti Salminen, Raisio's chief

The company is coy about pro-

duction levels and its broader

ambitions. A potential bottleneck

is its ability to get hold of suffi-

cient sterol supplies. Until recently it has relied on a single source – a forestry mill in east-ern Finland, which produces ste-

rol as a by-product of pulp mak-

ing. It says it has recently made progress in finding other suppli-

The group is also moving rap-

idly to get patent protection. It has already secured patents in the US and Poland, and has

applied for cover in most other

The key to the group's success will be its ability to expand beyond its domestic stronghold.

An ohvious possibility would be

to seek a licencing agreement

with a big multinational - Uni-

lever has been rumoured as a

potential partner - although the

group is wary about ceding too much of Benecol to an outside

industrial countries.

French shareboldars were yesterday preparing to unveil their own refinancing proposals for Eurotunnel as it emerged that the first phase of talks between the Channel tunnel operator and its banks was

likely to be completed by Friday. The early stages of the negotia-tions will involve the banks, who are owed £8.4bn (\$12.7bn) by Eurotaunel, outlining their proposals for the company's finan-cial reconstruction to Sir Alas-tair Morton and Mr Patrick Ponsolle, the co-chairmen.

Final agreement on tha refi-nancing is widely seen as being some way off, not least because several of the banks are critical of the refinancing programme being put to Eurotunnel.

The outline refinancing plan has been agreed by the six lend-ers in the steering group which is running the negotiations on behalf of Eurotunnel's bankers. The main plank of the proposals is a large debt-for-equity swap which could leave the banks owning nearly half the equity in

the company.

The proposals were presented to the instructing banks, the next layer of 20 lenders, in Paris on Friday. Eurotunnel is yet to be formally notified of tha proposals, although advisers said this was likely to happen tomor-

Any restructuring has to be agreed by all 225 banks and a majority of sbareholders. Adacte, the French shareholders' group, has said it may begin a compensation action in the French courts against the banks for losses on sharebolders' myestments.

company.

If Benecol is correctly marketed, Mr Finney at Kleinwort calculates it could capture 35 per Two shareholder groups will tomorrow travel from Paris to cent of the developed world's Calais on a special train and spreading margarine market. He release a 12-page booklet setting ont an alternative refinancing forecasts gross profits of more than FM1.2bn in 2000. o. which would incl However, as Raisio executives

write-off of some debts. point out, sterol can be put into Mr Michael Hart, manager of other products apart from margathe Foreign & Colonial Investrine. "We've put it in a margament Trust, one of the few instirine for northern Europe, because this is a sandwich-eating tutional sharebolders in Eurotunnel, said yesterday that area and that's a good way to deliver the required daily dose. Eurotunnel's argument that it should pay a lower level of inter-But it could come in any form est on its debt "seems a reasonin the US, it could be a chocolate able view". Mr Hart was "hoping that some equity could he bar," says Mr Salminen.

retained".

Separately, the company is set Christopher to ask the UK and French gov-**Brown-Humes and** eruments to extend its tunnel Roderick Oram | franchise to 99 years.

Deal values rec at about £1.7bn as US

is likely to value the regional electricity company at more than £1.7bn.

government unexpectedly blockad the acquisition of Midlands by PowerGen, the

Lucas and

Varity

explore

closer ties

By Peter Pearse in London and

Lucas Industries, the automotive and aerospace equipment com-

pany, said yesterday it was in

talks with Varity Corporation of

the US "to explore a potential strategic combination of husi-

It is thought the talks could

berald a full-scale merger, worth about £2.85bn (\$4.3bn) between

the two groups. This would come

as motor manufacturers demand

that suppliers become global and produce total systems rather

Mr George Simpson, currently

Lucas chief executive but mov-

ing to GEC towards the end of

the year, has stated that be expected to see consolidation in

the auto-components industry, to leave about 20 systems makers

It is thought that even if terms

for a merger could not be

thrashed out, some collaboration

is likely - either agreements for

joint marketing, manufacturing,

In March Mr Simpson rejected

Valeo of France, where a 28 per

cent stake was up for sale. He

bas said he would prefer a big deal in the US or Pacific Rim,

though Lucas is not in a position

The synergies between Lucas

and Varity look attractive. Both

make antomotive components

Lucas' automotive businesses

account for about 80 per cent of the group's annual sales of about

£3bn. The UK group is dominant

in foundation brakes and mechanical braking systems, and

is strong in Europe. Varity's Kel-sey-Hayes leads the world in

anti-lock braking systems for

rear-wheel-drive and four-wheel-

drive vehicles, and is the higgest

brake systems manufacturer in the US. It sold \$1.4bn worth of

brake systems last year, produc-

It is also thought that Perkins, Varity's UK-based diesel engines subsidiary, would fit well with Lucas' diesel operations. Dayton

Walther, the US group's brake

and wheel components business,

and Zecal, its specialist electron-

ics arm, would also complement Lucas' brake components and

electrical and electronic arms.

Varity, based in Buffalo, New

York, is one of the biggest indus-trial companies in the US, but its

chairman and chief executive,

Mr Victor Price, 54, is British. Varity made net profits of

\$125.5m last year on sales of \$2.4bn. Lucas first-half pre-tax

profits rose 38 per cent to £61.6m.

ing operating profits of \$111m.

to make big acquisitions.

and systems.

or a venture in braking systems.

than components.

Richard Tomkins in New York

Shares soar in Finnish maker of margarine that claims to cut cholesterol

Investors feast on a healthy spread IT'S SUPPOSED TO STOP HEART ATTACKS -

YOU'D BETTER EAT SOME BEFORE I TELL

YOU HOW MUCH IT COSTS

t costs six times as much as normal margarine and the A chief executive of the com-pany that makes it calls it "totally tasteless". Yet Benecol sells out virtually the moment it reaches the shops and international investors are scrambling to buy the shares. The apparent contradiction is

explained by one word: health. For Benecol claims cholesterol lowering properties which can sharply cut the risk of heart attacks. So popular has it proved that Raisio, the Finnish company which launched the product only six months ago, cannot meet demand even in Finland, But that has not stopped international investors beating a path to the small Finnish town after which the company is named to find out more.

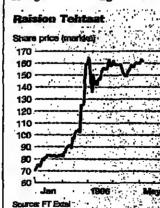
"Benecol has enormous potential," says Mr Michael Finney, an analyst with Kleinwort Benson in London. "ft's a very simple way to eat yourself fitter." His view is that if consumers in Finland are so keen on it, they will go crazy about it in health-obsessed countries such as the US.

It is the latest in a rising wave of "functional foods" launched by European manufacturers keen to find high margin products. They claim that new ingredients such as carefully selected bacteria or

With large manufacturers jumping into the category, func-tional products could, in the long term, account for about 5 per cent of all food sales, according to a study by the Leatherhead Food Research Association, the UK institute. At that rate they would generate retail sales of about \$30hn a year in Europe and \$100bn worldwide.

Among the most successful products so far, Gaio yoghurt from MD Foods of Denmark and fruit drinks with solnhle fibre from SmithKline Beecham of the UK also claim to lower cholesterol levels. Nestlé of Switzerland makes a more general claim for its LC1 yoghurt. But brisk sales at premium prices of such prod-ncts are nothing compared with the success of Benecol.

The hype over Benecol has brought a doubling of Raisio's



Tha credibility breakthrough came with an article in the New England Journal of Medicine highlighting the results of a 14month Benecol trial. This showed that daily consumption of 25 grams of Benecol - the amount spread on two pieces of toast reduced total cholesterol in the bloodstream by 10 per cent. More importantly, it cut more harmful LDL cholesterol by 14 per cent. This could be enough to reduce the likelihood of a heart attack by a third. Raisio says all the group's promotional material has been run past the Finnish health authorities without objection.

share price this year to FM150 and a quadrupling of its interna-

tional ownership to 40 per cent. It

has also left a company unused

to the international apotlight

somewhat dazed by all the excitement. "We have been over-

wbelmed by the product's suc-cess," says one Raisio executive.

that plant sterols can help block

absorbed during digestion. The

trick has been to eet enough of

them into a product such as mar-

garine to make a difference.

Helped by research at Finnisb

universities, Raisio has developed

a sterol derivative called sitos-

tanol that reduces cholesterol absorption more effectively than

unaltered sterol. While normal

margarines contain 0.5 per cent

plant sterol, Benecol contains 9

amount of cholesterol

Clinical studies have

the

per cent

Controversy is building in some European countries over how food makers verify health claims for functional foods and how they advertise them. The European Commission bas attempted but failed over the past four years to institute guide

Some anomalies have arisen. In the UK, MD can advertise Gaio's

Huntsman stalks BP styrene business despite collapsed talks

By Jenny Luesby in London

the large Huntsman. privately-owned US chemicals company, is still stalking British Petroleum's styrene and polystyrene business, thought to be worth more than £200m (\$302m), after a sale agreement collapsed last year during price negotia-

BP, which has been left behind in the styrene sector's sweeping consolidation, abandoned an earlier attempt to hive off the business for similar reasons.

On that occasion, in 1994, it announced a joint venture with Enichem of Italy. But while it wanted to own half the venture, its operation was far smaller than Enichem's and it was unwilling to inject any cash. After two years of talks, the venture was aborted.

European markat has been eroded as its competitors have cals, which specialises in polyethrestructured to improve their positions. In styrene, the top five produc-

ers now account for 86 per cent of European sales, while BP produces just 3.2 per cent. The company lags similarly in polystyrene, where the top five producers hold 71.5 per cent of the market, and BP accounts for

Last year's planned sale would have lifted Huntsman's share of the European polystyrene market to 11 per cent, and given it a footbold in styrene, the raw material used to make polysty-

5.7 per cent.

BP Chemicals produces 275,000 tonnes a year of styrene, at Bag-lan Bay in Wales, and 175,000 tonnes a year of polystyrene at Wingles, northern France. Styrene and polystyrene are Since then, BP's position in the

not core activities for BP Chemiylene and acetyls, used in textiles, paints, plastics and food. Huntsman has been keen to

increase its European polystyrene business since acquiring an expandable polystyrene plant at Ribecourt, France, from Elf Atochem several years ago. It has a second polystyrene plant in Carrington, in the UK, but it has no European styrene production. Following the breakdown of

talks with BP, Huntsman announced an expansion at Ribecourt, and a doubling of capacity at its Carrington plant. It also agreed a styrene swap with BASF of Germany. From 1997, BASP will supply Huntsman with styrene in Europe, and Huntsman will supply BASF in the US. However, both Huntsman and BASF are keen to acquire more capac-

<u>Morse</u>

packaging and television having cleared them with broadcast authorities and trading standards

officers. But a complaint from a

watchdog group has prevented it

running newspaper advertise-

been left to individual countries.

for example, began six months

health message to consumers make functional foods potentially

one of the most lucrative sectors

for producers. Benecol is the

extreme example at FM100 per kilo compared with a price for normal margarina of FM16 or FM17 per kilo. But this has not

stopped sales aoaring past the

company's targets. It now antici-

pates first-year sales of np to

FM100m (\$21m) - against the

FM25m originally anticipated.

The high price and strong

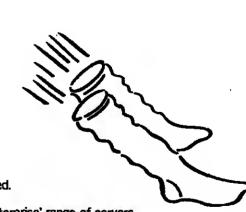
ago to re-examine the issue.

The UK MI

The efforts to tighten rules has

stry of Agriculture





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Alison Smith on the changing shape of UK building societies

hether you call it a procession or a stampede, within the next 18 mooths more than half the biggest building societies look set to have walked away from mutual status towards bank-

The first of the impending deals - the sala of National & Provincial to Abbey National will be concluded this summer. But four announcements in

little over three months this year - together with the loom-ing prospect of Halifax coming to the market - has given the process a characteristically British element of queueing. For each deal, there are some

landmarks: the mailing to members of detailed information: members' vote on the issue, which would generally (though not inevitably) involve a special meeting as well as an opportunity to vote by post: approval of the procedure by the Building Societies Commis-sion; and, finally, completion

The timings set out in the attached table can only be approximate, and the dates of particular stages for each society could slip or be brought forward.

Ooe broad point to come through is how long the pro-cess is taking for Halifax, the UK's largest mortgage lender. Its original approuncement that it planned to merge with Leeds Permaneot, then the fifth largest society, and then convert to become a bank was made almost 18 months ago, in November 1994,

This stems partly from the complexities of the merger. Beyond the need to bring together two different organisations and product ranges, Halifax must establish a single customer register from the 10m aavers and borrowers who were members of the two soci-

This "de-dnplication" is unlikely to be completed much before the end of this year and will probably mean a combined base of 9m customers.

Another reason is sheer scale. Halifax will have an estimated market value of \$10hn to coincide

By Kenneth Gooding,

lining Correspondent

Mr Algy Cluff has launched a

new mining company just four months after his London-listed

Cluff Resources group was taken over by Ashanti Gold-

Once again, Mr Cluff will

concentrate on mining, explo-

ration and development in

Africa. At the age of 56, he

says it is his fascination for

Africa and its potential for

huge gold deposits, rather than

any oeed for money, that is

fields of Ghana for £30m.

The move from mutuality

- and borrowers eligible to vote on conversion plan-
- 4-Mid-December 96: special general meeting for A&L.
- Early January 97: transfer statement goes to the estimated 9m Helifex severs and borrowers eligible to vote on conversion plan.
- End January: transfer document goes to 1.1m Bristot & West savers and borrowers eligible to vote on planned 2600m sale to Bank of tretand.
- February: special general meeting for Helifax * **ErFebruary** or March: transfer statement goes to as
- d 3.9m Woolwich savers and borrowers eligible to vote on conversion plan. . . Mid-February/beginning Mirch: Transfer state goes to 1m-plus Northern Flock savers and borrowers eligible to vote on conversion plan.
- Beginning of March: Bristol & West special general meeting to vote on planned sale.
- End March 97: latest expected data for complete of Building Societies Commission process of confirming the A&L deal.
- to vote on conversion, at or before its annual general meeting in April.
- Early/mid-April: special general meeting for Northern Rock members to vote on conversion, are the annual general meeting.
- End April 97: A&L floats.
- May: Latest expected data for completion of BSC process for confirming the Hallax conversion.
- By mid-June: Hallax floats.
- Late June: BSC should have completed process for confirming the B&W sale.
- End June/July: sets of B&W to Benk of Ireland
- Mid-July: BSC should have completed process for confirming the Northern Rock conversion."
- All dilate July SSC should have completed
- metion hearing process for Woolwig August or September: Woolwich floats...
- Beginning September/t

and the flotation in which its savers and borrowers will be given free shares represents the single largest extension of share ownership in the UK.

he Halifax timing is bound to affect the other societies coming to the market - although the extent to which they admit this depends on their bravado. But they do acknowledge that if they are looking to raise capital on flotation - either to meet the Bank of England's requirement for a "priority liq-uidation distribution reserve" on which depositors would have a prior claim if a society is forced into liquidation, or with a view to making acquisi-

tions - then they will not want

His new company, Cluff Min-

ing, has already been

appointed manager of Sominki
- Société Minière et Indus-

trielle du Kivu - which pro-duces tin and tantalite and

owns four gold deposits in east-

ern Zaire. CM is negotiating to

buy the government'a stake in

Sominki, which employs a wor-

force of about 5,000 and has 15

Zaire is one of the least-fa-

voured African countries

among mining groups. Mr

expatriates on its staff.

mining business.

Cluff in Zaire goldmining launch

taking him back into the Cluff says: "They said I was

Another striking feature is the close timing for the current plans of Woolwich, the third largest building society, and Northern Rock, the eighth larg-

At present, it looks as though Woolwich will float-just before Northern Rock, hut the smaller society'a timescale includes a significant margin for slippage and it could overtake Woolwich. This prospect would be

heightened if Woolwich were unable to find quickly a new chief executive to replace Mr Peter Robinson, who was ousted last month.

The timines for all the deals. both tha flotations and the takeover of Bristol & West by the Bank of Ireland, also highlight how long the regulatory

crazy when I went gold mining

in Zimbabwe 10 years ago. And

again when I went mining in

Ghana five years ago. No doubt

they will now say I'm crazy to

vately by Mr Cluff, who col-

lected about £1.6m for his Cluff

Resources shares, and several

He stresses that CM will be a

pan-African company and says

it is at present negotiating for

exploration licenses in coun-

unnamed husiness associates

go mining in Zaire."

building society can take. The clearest example here is the Building Societies Commission advice to societies to allow three mooths for confir

mation that the procedures have been followed properly. It insists that this period is determined not by the pressure of deals, but by the amount of time that must be left for members to make representations if they wish they wish.

Whatever the length of the process, it does bring a longerterm bonus for those that make it through to flotation: they will have swopped the turmoil and rumour of the mntual sector for the five years' protection from hostile takeover that former societies

Banro international Capital,

a small Toronto quoted com-

pany, had an option on the

gold deposits and will be CM's

50-50 partner in gold develop-

ments but not the other

the board of Cluff Resources

and says the parting with

Ashanti was amicable. He has

been appointed president of Sominki and remains, for the

time being, chairman of Cluff

Rasources Zimhabwe. He

expects ultimately to float CM

on a "friendly" stock exchange.

mining activities.

Hafslund profit static ahead of demerger vote

Hafslund Nycomed, the Norwegian pharmaceoticals and energy group which is doe to demerge later this month, vesterday failed to live up to markat expectations when it reported unchanged first-

quarter profits.

Just a week before shareholders will be asked to approve a split of the company into its two parts, Hafslund said pre-tax profits in the first three months were unchanged at NKr456m (\$69m) and well below the near NKr500m expected by analysts.

The pharmaceutical side suffered from lower prices for the group's world-leading diagnostic imaging products, while the energy side saw cuts in its hydro power production because of low rain and snowfalls in Norway.

Group turnover fell from NKr2.44bn to NKr2.36bn, leaving operating profits down from NKr539m to NKr470m. Lower research and development costs, down from NKr235m to NKr206m, and financial costs helped keep pretax profits at last year's level.

The main part of the Nycomed operations, Nycomed Imaging, which includes the injected liquids used to enhance X-ray diagnostic imaging processes, was hit by price pressures, knocking sales down from NKr1.27bn to NKr1.23bn. Operating profits fell from NKr607m to NKr553m.

Low river levels in Norway curbed electricity production at Hafslund Energy, reducing sales from NKT279m to NKr257m and operating profits from NKr56m to NKr30m. Hafslund said low snowfalls over the winter meant big cuts in production in the coming mooths was also likely.

The results were a disappointing start to a period of big change for Hafslund Nycomed. The split to be voted on oext eek was first mooted when the Norwegian group last year agreed a merger with Ivax, the US pharmaceuticals company, only to have the plan voted down by key Norwegian insti-tutional sharebolders. The company decided to go ahead with the internal split.

Analysts say the effect will be to make Nycomed more exposed as a medium-sized pharmacentical group with an attractive main product line and it could become a target in the industry's wave of consolidation. A group of eight Norwegian power companies, all owoed by local authorities have already made a NKr4.1br offer to bny the Hafslund energy operations and its dis-

Stronger krona hits Aga in first quarter

NEWS DIGEST

Pre-tax profit, excluding capital gains, at Aga, Sweden's speciality gas company, dropped 13 per cent to SKr525m (\$77m) in the first quarter of 1996 compared with the same period a year earlier. The group was hit by weaker trends in gas operations, partly due to a stronger Swedish krona. Sales declined to SKr3.22bn from SKr3.38bn last time. The profit drop, as well as the 4.7 per cent fall in group sales, mainly reflects the stronger krona. Adjusted for foreign exchange fluctuations, sales were up 3 per cent.

in the first quarter, Aga sold all of its stake in power company Gullspaanes Kraft, resulting in a capital gain of SKrl.6bn before taxes. Including that, first-quarter profit was SKr2.32bn. But core operations showed weaker trends. The

group's operating profit tumbled 15 per cent to SKr457m.

Looking ahead, Aga said it expects full-year 1996 pre-tax profit, excluding capital gains, to be at roughly the same level is in 1995, or around SKr2.1bn. The profit drop reported by Aga was roughly in line with analysts' expectations. Core gas operations posted profits of SKr467m in the quarter, down from SKr500m. Investments in new plants amounted to SKr638m in the period, up from SKr483m.

AP-DJ. Stockholm

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STATE OF THE STATE

NeuroSearch plans global IPO

NeuroSearch, a Danish pharmaceuticals development company specialising in treatment of diseases of the central nervous system, plans a global public share offering this summer, which will be managed by Union Bank of Switzerland. Set up in 1989, the company concluded a collaborative development and licence agreement with Bristol-Myers Squibb last December for its most promising discovery to date, a compound for the treatment of Parkinson's disease.

The company has two other products which have been selected for clinical testing, ooe for treating anxiety and the other for treating brain damage following strokes. NeuroSearch made its first profit, of DKr4.5m (\$300,000) in 1995 when turnover was DKr55.4m.

Hilary Barnes, Copenhagen

DnB still enjoying

By Hugh Carnegy

Norway's buoyant, oil-boosted economy helped Den norske Bank, the country's biggest financial services group, con-tinue a two-year trend of record profits during the first quarter of the year.

Despite warning earlier this year the earnings surge could not be indefinitely sustained, DnB reported that pre-tax profits rose in the first three months from NKr559m last time to NKr789m (\$119.3m).

Increased lending volumes -in contrast to still sluggish borrowing demand in neighbouring Sweden - falling costs and a further improvement in the bank's bad loan portfolio all

The bank also continued to benefit from a carry-forward of previous tax losses from the deep loan-loss crisis of the early 1990s. A tax charge of just NKr6m left net profits at NKr778m, up from NKr565m in the same period last year.

"The healthy results reflect

the positive trend favouring Norwegian companies and households and the general improvement in their financial position," sald Mr Finn Hvistendahl, chief executive. Economic growth is expected to be slower this year than the 4 per cent achieved in 1995, bot is still set to be firmly

DnB is still 72 per cent owned by the state following the government bail-out of the banking system during the loan-loss crisis. The state is understood to be considering a further reduction in its stake to 51 per cent.

The bank did see a fall in its net interest income, from NKrl.16bn to NKrl.07bn, between lending and deposit rates. But it was compensated by increased volumes as total lending grew NKr2.6bn to NKr131bn: Other operating income also fell, from NKr718m to NKr699m. However, costs were cut from NKr1.43bn to

NKrl.13bn.

Czech telecoms group down Pre-tax profits at SPT Telecom, the Czech operator 27 per cent

owned by PTT Telecom Netherlands and Swiss Telecom, fell nearly 20 per cent in 1995 because of a sharp rise in operating costs. SPT reported pre-tax profits of Kc7bn (\$253.9m) compared with Kcs.7bn in 1994. The 1994 figures were restated to reflect the consolidation last year of EuroTel, the mobile telephone joint venture in which SPT has a 51 per cent stake. Revenues grew 16.7 per cent to Kc26.4bn because of the addition of 248,000 new telephone lines, increasing telephone density per 100 people from 20.7 to 23.3. Profits after tax fell to Kc4.8bn from Kc5.2bn, SPT is not paying a dividend. Total assets jumped to Kc103bn from Kc52bn. Mr Urs Kamber. SPT chief financial officer, said call revenue rose 25 per cent to Kc16.6hn, while revenues from international traffic fell slightly, to Kc2.1hn, because of the impact of lower prices. The 40 per cent rise in operating costs to Kc18.5bn was mainly due to a near-doubling of depreciation charges as a result of SPT's accelerated network development, which is aimed at doubling

the number of lines by the end of the decade. Mr Kamber said SPT had almost completed arrangements for a \$500m syndicated loan, one of the biggest by a borrower from central Europe. The five-year multi-currency facility is priced at 25 basis points over Libor. The company's development programme is expected to cost nearly \$500 by the end of the decade.

Vincent Boland, Prague

FMC buys Frigoscandia unit

ASG, the Swedish transport group, is selling its Frigoscandia Equipment unit to FMC of the US for SKrl.25bn (\$18.3m). ASG said the deal would result in capital gains of SKr250m. FMC will acquire the shares in Frigoscandia Equipment for SKrl.1bn and take over Frigoscandia's net debt, for a total value of SKr1.25bn.

ASG bought Frigoscandia for SKrl.8bn in October 1995. It said at the time it did not intend to keep the equipment unit. The company said that the capital gain figure from the deal had not been included in an earlier profit forecast for 1996. which indicated profits would exceed the 1995 level of SKr191m. FMC, with beadquarters in Chicago, Illinois, had turnover of \$4.5bn last year. Reuter, Stockhol



Same old routine? -Not this time.

SMS/SCHLDEMANN STEMAG AG. Germany, is one of the world's leading names in machinery for the metal working industry. Currently, SMS is constructing a new special plate mill for the Swedish steel company, SSAB, Oxelösund. Duc for completion by 1998, it is designed in pravide improved quality as well as greater apportunities for product and pracess development. To keep the work rolls (and the project) running smoothly. SMS has chosen rolling hearings from SKF - bearings made in give high precision operation even under heavy lnad. These SKF bearings are enurmous - each weighs as much as four averagesized cars, making them the world's largest in their class.

At SKF, we are always keen an new challenges. Breaking away from the nld routine is an attractive proposition - and nnt nnly in bearing applications for the steel industry.

FIRST QUARTER 1996. SKF's consolidated income after financial income and expense: 811 million Swedish kranor (SEK M) compared with SEK 907 M for the first quarter 1995 and SEK 748 M for the final quarter of 1005. Group sales: SEK 8 881 M, compared with SEK 9 712 M for the first and SEK 8 523 M for the final quarter of 1095. Volume changes compared with the first and final quarters of 1995 amnunted in -3 percent and +2 percent, respectively. Changes in exchange rates had a negative effect nn sales - when translated tn SEK - during the first quarter of 1996 of approximately 8 percent. or around SEK 700 M. compared with the first quarter of 1995.

Operating income. after depreciation: SEK 895 M (1 124). Financial income and expense -net: SEK -84 M (-217). The improvement was mainly due to forward contract transactions.

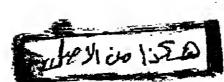
Earnings per share after tax: SEK 4.60 (5.05). Capital expenditures in property, plant and equipment: SEK 434 M (398). Number nf employees: 43 678 (42 454). Group inventories amounted to 26.4 percent (25.2) of anoual sales.

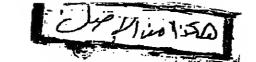
A new plant for the production of automotive Hub Units for cars and trucks will be built at Aiken. South Carolina, USA, tngether with a new Technical Center in Detrnit. Production is scheduled to commence during spring 1997. Total investments in the U.S. amount to approximately SEK 900 M.

MARKET PROSPECTS: In a weak European market, there are few signs that demand will gain momentum, while the trend in the U.S. is somewhat better. The Asian market continues to grow and Latin America is showing signs of slow improvement.

AVERAGE RATE DF EXCHANGE 1996: 1 GBP = 10.29 SEK. 1995: 1 GBP = 11.69 SEK.







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the A-340s are for routes between the Caribbean and Europe, including a daily flight to London. A senior official of the government said privately that there was a reconsideration of the "commercial wisdom" of an all-Airbus fleet. It was likely that fewer aircraft than planned would be bought from Airbus, and that some Boeing

> The changes follow the sacking in February of Mr Edward Acker, the chairman, and the resignation three weeks later of Mr Edward Wegel, the chief

757s and 767s would be

COMPANIES AND FINANCE

Atlas Copco defies trend with 24% rise

By Hugh Carnegy in Stockholm

Atlas Copco, the Swedish engineering group, defied a trend among big Swedisb exporters of falling profits in the first quarter, posting a 24 per cent increase in pre-tax earnings to SKr803m (\$117.8m), compared with SKr647m at the

same stage last year. The result, which pushed up earninga per share from SKr2.23 to SKr2.94, was a welcome change for investors, and Atlas shares rose SKr3 on the day to close at SKr131.

n the wake of the sacking

resignation of its chief

executive after an unexpec-

ted loss last year, BWIA, the Trinidad-based airline, is

reviewing plans to re-equip its

The company will take deliv-

ery in July and November of two of the 12 aircraft originally

ordered from Airbus, but is

now likely to buy some aircraft

from Boeing instead. It is also

reconsidering the purchase of

10 commuter jets from Embraer of Brazil.

tised a year ago when the gov-

ernment sold all but a 35 per

cent stake, bad planned to

obtain nine Airbus A-321s and

three A-340s over the next

three years, replacing its cur-rent fleet of five Lockheed Tri-

star L-1011s and seven MD-83s.

The A-321s are intended for BWIA's Caribbean, North and

South American routes, while

The airline, which was priva-

fleet with Airbus aircraft.

of its chairman and the

contrast to sometimes beavy falls in first-quarter profits from other Swedish engineering and forestry industry groups, such as Volvo, SKF and Stora, which have extensive exposure in Europe and North America and which offer a guide to broad market

producer of compressors and drills which last year bought Milwaukee Electric Tool in the US for \$550m, cautioned that the improvement could not be attributed to a rise in demand

executive. The two men led the

Acker is a former chief execu-

tive of Pan American, Eastern

Airlines and Air Florida, all of

the airline's accumulated

losses of \$175m, and Mr Acker

promised a net profit of \$10.5m

in the first year. In the event,

BWIA returned a loss of \$3.5m.

with \$2.2m of this coming in

burdle in flying the new air-

craft on routes to the US. In

implementing the Interna-

tional Civil Aviation Organisa-

tion's safety regulations, the

US Federal Aviation Adminis-

tration bas designated Trini-

dad and Tobago's civil aviation

This prevents airlines based

in the country from flying new

aircraft and new routes to the

US until the local civil aviation

agency improves its operations

new aircraft idle and cost the

agency as "category two".

The airline, bowever, faces a

The government assumed

which are defunct.

the last quarter.

as underlying sales were little changed. Instead, it warned that mar-

ket conditions were "increasingly uncertain" and said it did not expect any pick-up in demand over the year. "We see that in our case the uncertainty has increased, not decreased, lately. Germany has not bottomed out as we had boped and we are getting mixed signals from the US market," said Mr Hans Ola Meyer, head of finance.

Group sales did rise 7 per cent in the first quarter, from SKr5.63bn to SKr6bn, and

Turbulence prompts BWIA to change course

orders climbed 8 per cent to SKr6.66bn - despite the effects of a stronger Swedish krona which depressed the value of sales by 8 per cent. However, Atlas said when the effects of

acquisitions were excluded,

sales had decreased by 6 per

cent and orders by 4 per ceot. It said sales of standard compressors and power tools had declined during the first quarter. Offsetting this, efforts by manufacturers and mining companies to achieve productivity improvements meant sales of large compressor units and drill rigs had increased.

Italy, Sweden and Japan, while orders from Germany, the UK and Brazil fell.

Operating profits rose from SKr612m to SKr769m. Pre-tax profits were boosted by a one-time capital gain of SKr342m from the sale of a bydraulics unit - but were hit at the same time by a SKr225m charge from restructuring costs within Atlas's industrial technique division.

Mr Meyer said the underlying profits increase of SKr74m was chiefly due to productivity

Sales at **GEA** fall short of forecasts

By Michael Lindemann in Bonn

GEA, the leading German process technology group, yes-terday reported lower than expected sales for 1995 and warned it did not expect significant increases in sales or profits this year because of stronger competition and a restrained" economy.

Adjusted for a number of acquisitions, sales last year rose just 2 per cent to DM4.05bn (\$2.7bn), against the DM4.2bn GEA had forecast last year.

Group net profits rose 12 per cent to DM111m, from DM99m a year earlier, while new orders, also adjusted for acquisitions, remained stagnant, in part because "some clients had postponed some orders". Dividends will remain at DM10 for ordinary shares and DM11 for

preferential stock. Mr Otto Happel, the chief executive whose family still holds a majority stake in GEA, anid the "top priority" this year would be to consolidate the existing operations. This would include measures to reduce the amount of manufacturing GEA does itself and focus instead on bnying in more outside components.

The Bochum-based group has expanded strongly in the past two years and the 1995 results reflected the first-time consolidation of Westfalia Separator, the mechanical separation specialist, and Otto Tuchenhagen, the liquid processing business. Including such acquisitions, 1995 sales

jumped 23 per cent. However, Mr Happel said Otto Tucbenbagen bad reported losses which were "significantly worse than expected" and that GEA's profits had been dragged down by restructuring costs at Otto Tuchenhagen and a number of other subsidiaries.

had also grown more slowly than the unadjusted 23 per cent rise in sales because of the strength of the D-Mark against the dollar and a number of European currencies. GEA plans to reduce its 17,833-strong worldwide work-

force by about 500 this year.

Mr Happel said net profits

LG Electronics Inc. (formerly Goldstar Co., Ltd.)

(incorporated in the Republic of Kores with limited fiability) To the Holders of the Issuer's US\$70,000,000 3.25 per cent. Convertible Bonds Due 2006 ("the Bonds")

Notice to Boudholders of the modification of the Terms and Conditions of the Bonds

NOTICE IS HEREBY GIVEN that LG Electronics Inc. (the "Compeny") has purposen to Condition 12(B) of the Bonds and with the agreement of Chicorp Trustee Company Limited, the Trustee for the Bondbolders (the "Trustee"), amended the Company Limited, the Trustee for the Bonds by a Supplemental Trust Deed dated 2 May 1996, entered into by the Company and the Trustee. The following modifications to the Texast and Conditions of the Sonds have been made:

To provide for an additional option for Bondholders to redeem their Bonds (the "1999 Put Option") exercisable on 24 June, 1999 at a price calculated in the method

referred to below plus accrued interest to the date of redemption.

To allow Stondholders who exercise their option to redeem their Bonds on 24 June
1996 (the "1996 Pot Option") to subsequently revoke the notices of redemption by
giving notice in writing to the Company at the specified office of any Paying Agen
during its normal business bours on or before 7 June, 1996 and the Company will

doring its normal business hours on of before 7 June, 1999 and he Company will consent to any such revocation. The preceding sentence serves as the written consent, in advance, as required by the Supplemental Trust Deed for any such revocation.

To prevent the Company from redeeming Bonds at its option on or before the date of the 1999 Pat Option, being 24 June, 1999.

To allow the Company to designate a purchaser in purchase such Bonds as are deposited for redemption by the Bondbolders under the 1996 Pat Option or the 1999 Pat Option, at the price at which such Bonds are to be redeemed. The price at which the 1999 Put Option will be exerciseable (the "1999 Put Price"

 $P^2 = (1+c/100)^3 \times (P^1)$ (1+1/100) (1+r/100)2

 $P^2 = 1999$ Put Price (expressed as a percentage of principal amount of the Bonds an rounded off to three decimal places).

 $P^{1} = 1996$ Pat Price (126.18% of the principal amount of the Bonds).

SCP = The number of days from the old put date to the next Courson date. SCP = The number of anys from the out put maturity (on June 24, 1999).

f = (y+s) to be calculated on an annualised basis in such manner so that it conforms to the definition of annual indexest compounding as described in Rule 803-1 of the Rules and Recommendations of the international Securities Market Association (or any substitute or successor thereof) and expressed as a percentage.

s = spread over yield on reference U.S. Treasury Note y = yield on reference U.S. Treasury Note.

The calculation will be performed by the Company using the relevant information as displayed on 17 June, 1996. The Company will inform the Principal Paying and Conversion Agent of the 1999 Put Price by no later than 18 June, 1996.

compensates them for deciding not to exercise the 1996 Put Option.

All Bondholders contemplating taking any action in respect of the mattern contained in this Notice should seek independent advice as to their fax position and, if in my doubt, should also seek independent financial advice. NOTICE IS ALSO HEREBY GIVEN, in accordance with Condition 14 of the

amended Trust Deed, that the purchaser designated by the Company, pursuant to Condition 7(E) of the amended Trust Deed as referred to in Clause 4 of this Notice,

Bondholders who have any questions concerning the menters referred to in this Notice should contact 8.J Kim of 1. G Secturities International Ltd which is regulated by the SFA and is representing the Company in connection with these matters. B J Kim can be contacted at LCSI Ltd., 5th Floor, Bucklessbury Floore, 11 Wahrook, London EC4N SDY, tel: (44) 171 374 4812, (44) 171 489 1494, Pax (44) 171 374 3850. Copies of the Supplemental Trust Deed which implement the amendments are available at the specified offices of each of the Paying and Conversion Agents set on Principal Paying and Conversion Agent

Citibank, N.A. 336 Strand

Paying and Conversion Agents Ciribank, N.A.

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L-1330 Lexembor 7 May, 1996

LG Electronics Inc

Citibank (Switzerland

CH-8021 Zwich

The Trinidad-based airline is reviewing its restructuring plans, reports Canute James consortium which bought a controlling interest in the airline when it was privatised. Mr

The Airbus 340: BWIA may look to Boeing for an alternative

agency has not yet met the requirements for upgrading its

and gains a "category one" ratand Tobago are working diligently to upgrade the civil avi-The potential dangers for ation agency," said Mr Michael Stanfield, BWIA's acting chief BWIA are shown in the problems encountered by Air executive. "Our expectation is Jamaica. Its plans for re-equipthat we will be able to fly our ping its fleet with six A-321s new aircraft to the US. If not, and six A-320s have been barnthen we will have to use them pered by the "category two" rating, which left some of its on other routes."

Bits plan to purchase 10 50-seater EMB-145 jets company several million dol-Air Jamaica has been given from Embraer of Brazil. The special dispensation to fly its airline "has an option" on the new aircraft on routes to the US, although the civil aviation Embraer aircraft, said Mr Stanfield: But government officials

said that the \$180m deal was "unlikely as conceived" and tbat any purchase from "The authorities in Trinidad Embraer would be for fewer aircraft than was planned.

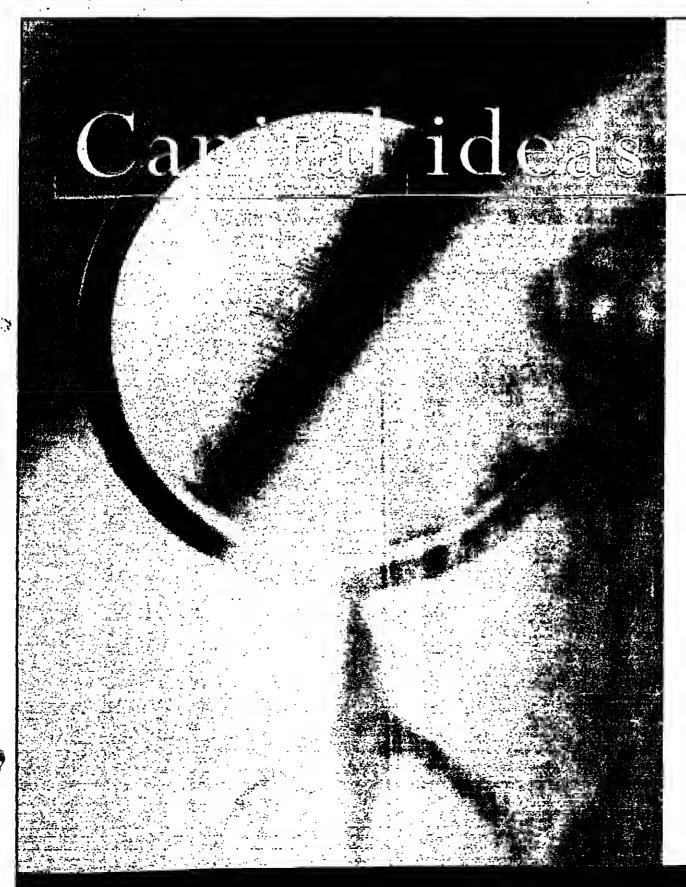
The company, bowever, is strengthening its presence in the regional commuter market through its purchase of a 29 per cent share in Leeward Islands Air Transport, a commuter airline which operates in the eastern Caribbean islands. The price of the trans-action was not disclosed. WIA is also reviewing

LIAT, based on Antigua, operates a fleet of nine de Havilland Dash-8s and six Twin Otters. It flies routes from Guyana in Sonth America to Puerto Rico.

The turbulence which has hit BWIA's new management bas left the government uneasy. "We are concerned about the level of management, and we are keen that the airline should be run on a basis which will make it a commercial soccess as was promised when it was privatised," said the government official. "We still own 35 per cent of the company, and it is

investment." Mr Stanfield expects BWIA to recover from last year's loss. "We are expecting, and we are planning on the basis that this will be a profitable year," he

in our interest to protect this



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Atlas Capital Limited

Notice convening a meeting on 29th May, 1996 of the Holders of

FF 4,500,000,000

6.375% Guaranteed Notes due 1998 (the "Notes") and the Holders of

FF 4,502,000,000 Guaranteed Floating Rate Notes due 1998

(the "FRNs")

NOTICE IS HEREBY GIVEN by Atlas Capital Limited (the "lawer") of a meeting of the holders of Notes and the bolders of FRNs (the "Fixed Rate Noteholders") and "Floating Rate Noteholders" respectively, together the "Noteholders") an espect of the Notes and FRNs (together the "Atlas Notes") issued subject to an Agency Agreement (the "Agency Agreement") duted 29th April, 1994 between the Issuer, Municipal Bond Investors Assurance Corporation (now known as MBIA Instrunce Corporation) ("MBIA"), the Agents named therein and Bankers Truste Company Luminod (the "Security Trustee"). The meeting will be held at the offices of Bankers Trust Company at 1 Appoid Street, London EC2A 211E on Wednesday, 29th May, 1996 starting at 10:00 a.m. (London time), for the purpose of considering and, if thought fit, passing the resolutions set out below. Each resolution will be proposed by the Issuer as an Extraordinary Resolution in accordance with the provisions of the Agency Agreement. Such Extraordinary Resolutions as may be passed will only be effective if MBIA confirms that its Note Police, which guarantees payments of principal and interest including certain additional amounts in respect of withholding taxes, will remain to full force and effect with respect to all of the Arian Notes (the "Confirmation"). MBIA intends to give the Confirmation only if it is satisfied with the terms of the Restructuring (as defined below), as well as the documents, opinions and other arrangements required to effect the Restructuring.

Unless otherwise specified, defined terms and other arrangements required to effect them in the Deed of Charge dated 29th April, Unless otherwise specified, defined terms used in this Notec have the mentings given to them in the Deed of Charge dated 29th April,

below), as well as the documents, opinions and other intelligentation in equation to the min the Deed of Charge dated 29th April, 1994 between the Issuer, the Security Trustre and MBIA (the "Deed of Charge").

The Issuer refers to the Offering Circular dated 28th April, 1994 relating to the Notes and the transaction involving the Issuer described therein (the "Transaction"). In particular, the Issuer refers to the "Description of the Underlying Structure" and the "Description of the Financial and Security Arrangements" set out in the Offering Circular. It is proposed that the Transaction shall be partially restructured to permit, inter olds, the reduction of the overall financing costs of the Transaction (the "Restructuring"). Further details of the Restructuring are set out to a Metanorandum addressed to the Noteholders, which is available from Eurocless and Codel Bank société anonyme and from the Paying Agents, whose addresses are set out to the RESTRUCTURING DOES NOT REQUIRE ANY AMENDMENTS TO BE MADE TO THE TERMS AND CONDITIONS OF THE NOTES.

in addition to the passing of the Extraordmany Resolutions set one below, the content of all other Beneficiaries of the Deed of Charge and certain other contracting parties of the Issuer will be required before the Restructuring can go shead.

In accordance with its normal practice, the Security Trustee expresses no opinion as to the merits of the Restructuring. It has, however, authorised it to be stated that it has no objection to the Extraordinary Resolutions being submitted to the Noteholders for consideration. MBIA has approved in principal the changes that are to be made. Before the Restructuring may take effect (which is expected to be 19th June, 1996). MBIA must give its Confirmation with respect to the Note Policy. If such Confirmation is not received, the Restructuring will not take effect and pursuant to the Conditionality provision set out below, the Extraordinary Resolutions passed will be of on effect.

CONDITIONALITY CONDITIONALITY

Any Extraordinary Resolution passed by the requisite vote of the Fixed Rate Noteholders und/or Floating Rate Noteholders concerned will be conditional upon the issuance by MBIA, contemporaneously with the Restructuring, of the Confirmation. If such Confirmation is one received, the Extraordinary Resolutions passed will be of no effect. In addition, the Extraordinary Resolutions of Floating Rate Noteholders set out to III below (the "Floating Rate Resolutions") will be conditional upon the Extraordinary Resolutions set out to and II below (the "Other Resolutions") being passed and until the Other Resolutions have all been passed, the Floating Rate

I EXTRAORDINARY RESOLUTION OF FIXED RATE AND FLOATING RATE NOTEHOLDERS

assents and sourcions all amendments or variations of the Deed of Charge, the Volney Note, the Support Documents, the Delegations and any other Transaction Document deemed necessary or desirable by the Security Trustee in order to effect and accuracely document the Restructuring. The amendments or variations will include, inter dia, (a) provisions relating to payments to be received or made by the Issuer on an early redemption of the Volney Note or part thereof, (b) reduction of the amounts psyable coments and the Differences, (c) amendme and to the mechanism for reductions of inte where the Supporters became as in the constituted by the changes to be made to the Terms and Conditions of the FRNs, including references to the existing tranches and the current holden of the FRNs, together with all other amendments or variations as the Security Trustee shall deem to be necessary to effect or document the Restructuring; and

authorases and directs the Security Trastee and/or the Issuer to enter into such agreements in such form as the Security T think fit in order to implement this Extraordinary Resolution."

IN EXTRAORDINARY RESOLUTION OF FIXED RATE NOTEHOLDERS That, subject to the Conditionality provision set out in the Notice convening this meeting published on 7th May, 1996, this m

enes and enactions all modifications of the Terms and Conditions of the FRNs as the destrable in order that the Restructuring can take place; and

authorises and directs the Security Trance and/or the Issuer to a think fit to order to implement this Extraordinary Resolution." III EXTRAORDINARY RESOLUTION OF FLOATING RATE NOTEHOLDERS

o the Conditionality provision set out in the Notice convening this meeting published on 7th May, 1996, this Notebolders hereby: approves and consents to the substitution of the revised Terms and Conditions of the FRNs as the same have bee meeting of Floating Rate Noteholders for the existing Terms and Conditions of the FRNs; and

authorises and directs the Security Trustee and/or the Issuer to enter into such agreements in such form as the Security Trus

VOTING AND QUORUM

VOTING AND QUORUM

The Atlas Nores are in Global form. A bolder of Atlas Nores wishing to attend and vote at the meetings to person must produce a valid voting certificates issued by a Paying Agent or must be a proxy holding a block voting instruction issued by a Paying Agent. Voting certificates and block voting instructions will be issued in respect of the Atlas Nores deposited with any Paying Agent or under its control or blocked by a depositively holding the same by not later than 10:00 a.m. (London time) on 24th May, 1996, Duly issued voting certificates and block voting instructions will be valid, for as long as the Atlas Nores continue to be so held and blocked and, while valid, the holder of sury such voting certificate or (as the case may be) the produce named in any such block voting instruction shall be deemed for all purposes to connection with the meetings to be the holder of such Atlas Notes to which such voting certificate or blocked voting instruction relate.

of blocked vering instruction relate.

The quorum required at the meeting in order for the Extraordinary Resolutions of Fixed Rate Noteholders and Hosting Rate Noteholders to be passed is two or more persons present in person holding voting certificates and/or being proxics and the total principal amount outstanding of the Atlas Notes then outstanding. The quorum required at the meeting in order for the Extraordinary Resolutions of Flooting Rate Noteholders to be pussed is two or more persons present in person holding voting certificates and/or being process and the total principal amount constanding of FRNs they hold or represent is more than 75% of the periodical smoon of FRNs then outstanding. The quorum required or the meeting in order for the Extraordinary Resolutions of Frood Rate Noreholders to be passed is the same except that the persons present must hold move than 50% of the aggregate principal amount of Notes for the time being outstanding. If, within one hour of the time fixed for each needing a quarum is not present, the meeting shall be adjourned until 10:00 a.m. on 14th June, 1996 at such piece as may be appointed by the Chairman of the meeting and approved by the Fixed Agent.

To be traced each Extraordinary Resolution provincs the affirmative vote of not less than these causers of the present votes care.

To be passed each Extmordinary Resolution requires the affirmative vote of not less than three-quarters of the person ed each Extra

or not and whether or not voting thereat. urther provisions relating to the Notebolden' Meeting are set out in the Agency Agreement and are available on request from th

> Paying Agents I Appold Street

Bonkers Trust (France) S.A. 12-14 Rond-point des Champs Elysées 75008 Paris France

London ECZA 2HE Bankers Trust (Lunembourg) S.A. P.O. Box 807 14 boulevard F.D. Roosevelt L-2450 Luxembourg

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Fiscal Ages

Bankers Trust Company, Londo 7th May, 1996

April 1996



This announcement appears as a matter of record only.

\$500,000,000

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COMPANIES AND FINANCE

Mediolanum owners to make L120bn from sale

Mr Silvio Berlusconi and Mr Ennio Doris - joint owners of Mediolanum, tha Italian life ssurance and financial services company - stand to earn at least L120bn (\$77m) each from its flotation on the Milan stock exchange this month. Mr Doris, chief executive of Mediolanum, said the flotation, which will value the company

at between L1,400bn and L1,700bn, offered a rare opportunity for investors to share in the growth of savings-related financial services in Italy. About 22 per cent of the com-pany will be floated through a combined public offer and

institutional placing at L10,000 to L12,000 a share. Mr Doris, who in 14 years has built the group into Italy's sixth-largest life assurance company, said 40 to 50 per cent of this year'a profit would be distributed as dividends.

Fininvest, the family holding company of Mr Berlusconi, and Mr Doris's family companies will sell up to 12m shares each. A further 8m new shares will also be issued.

At the moment, Mr Berlusconi and Mr Doris each owns half of Mediolanum, which was formed last year to simplify the partial flotation of the two antrepreneurs' insurance and financial services activities. The flotation is part of a gen-

ing and disposals by Fininvest. the largest of which will be the public offer this summer of shares in Mediaset, the media Mr Berlusconi, a former Ital-

eral programme of restructur-

ian prime minister, has been seeking to reduce debt at the Fininvest parent company and end accusations of a conflict of interest between his political and business activities.

Mediolanum expects to place up to 22m shares with Italian See Observer

tors, and at least 10m will be offered to ordinary investors, including Mediolanum's clients, employaes and sales force. The price will be set before the opening of the offer

on May 20. A further 4.7m shares - the so-called "greenshoe" - will be held in reserve for placing with institutional investors within a month of the conclusion of the offer, depending on market conditions. Mediobanca of Milan is the main global co-ordinator for the placing, with SBC Warburg and Banca di

Roma as joint co-ordinators. Mediolanum reported net profits of L93.7bn in 1995, up 27 per cent on the previous year. In the first quarter of this year, the group said it had increased premium income by 44 per cent and deposits in its mutual funds by 6.1 per cent against the equivalent period.

Tenneco offshoot may buy Hungarian power producer

By Virginia Marsh In Budapest

Tenneco Energy, a subsidiary of Tenneco of tha US, has won a tender to negotiate the purchase of a 50 per cent plus one vote stake in an independent power producer in Hungary.

If the sale goes ahead, the company will add a further 140MW in capacity to a 60MW power plant at Dunaferr, Hun-gary's largest steel manufacturer. Total investment in the project, including the purchase

price, will be more than \$100m. Tenneco Energy said it was the first such project it had undertaken in Europe and its second venture in the former Eastern bloc, In March, it formed a venture with Texaco to explore for natural gas in Poland. Mr Edward Casey, president, expects to announce further investments in Europe in "the very near future".

capital increase which will eventually give Tenneco up to 75 per cent of the gas-fired power plant. At present, tha plant supplies the steel mill as well as thermal power to a local packaging company and the city of Dunaujvaros where

it is located. The investment is set to be the largest in Hungary's energy sector made by a US firm to date. Tenneco was one of several US companies which expressed an interest in last autumn'a privatisation of much of Hungary's electricity and gas sector, the first sales of their kind in the region, but withdrew due to the tight time-table. Utilities from Italy, Ger-many and France dominated the sales, which netted the

Privatisation is being accom-

The stake is being sold off by panied by the liberalisation of bunaferr and will involve a panied by the liberalisation of the sector and, from next year, companies will be able to compete to sell power to MVM, the country's core electricity company, which operates the national grid.

PowerGen, the UK utility. last year became the first west ern company to buy a local IPP and has already embarked on an ambitious expansion and

modernisation programme. Tenneco officials said the company still had to negotiate power purchase agreements and other Issues with MVM and the Hungarian Energy Office, but was hopeful these

could be resolved shortly. Other investors in the sector say existing agreements favour MVM, one of Hungary's largest and most powerful state companies, and are also awaiting a crucial government decision on price rises due in the autumn.

CGEA plans expansion abroad

jects to operate regional rail

services in Germany after the

introduction of legislation this

year which handed responsibil-

By Haig Simonlan

Générale Compagnie d'Enterprises Antomobiles (CGEA), the transportation subsidiary of France's big Comliberalised railway markets of

several European countries. The company, which has signed a seven-year contract to run trains on Network South-Central, the fifth-biggest of the former Britisb Rail franchises, is also pushing ambitiously into Germany and Portugal. CGEA is looking into pro-

ity for regional rail services to grant operating concessions to third parties. Mr Michel Quidort, CGEA's awarded later this year.;

director of communications, expanding its presence in Portugal. CGEA was involved with plans for a new light railway in Oporto, and was examining the idea of an additional rail crossing for the river Tagus.

While taking radically different approaches to increasing competition in rail services, the UK and Germany offered the best opportunities for state governments, which can expansion, said Mr Quidort. pagnie Generale des Eaux now decide to leava services Apart from Network SouthCengroup, is developing plans to expand aggressively into the grant operating concessions to Apart from Network SouthCentral in the UK, CGEA is on the shortlist for the Chiltern and South Eastern franchises to be

Mr Quidort would not comsaid the company was also ment on reports that the company was aiming for three to five UK rail franchises, but said CGEA hoped to build up a "portfolio" of franchises including regional as well as suburban services.

Campbell Soup lifts Arnotts stake

Campbell Soup, the US food manufacturer, yesterday picked up a further 3 per cent of Arnotts, the Australian biscuit maker, lifting its stake to just over 70 per cent. Campbells bought 4.17m shares at \$9 each. This was 70 cents higher than

bought 4.1/m snares at \$8 each. This was 70 cents higher than Arnotts' closing price on Friday.

Campbells made a bid for Arnotts, one of Australia's largest listed food companies, in 1992, but the offer was strongly opposed and although the US company secured over 50 per cent of its target's shares, it failed to get to a level where it

could compulsorily buy up the remainder.
Instead, the US group has been steadily raising its stake in
Arnotts through the "creep" provisions of Australia'a
Corporations Law. These allow it to buy another 3 per cent of
Nikki Trit, Sydney could compulsorily buy up the remainder. the company every six months.

Trelleborg fall matches forecasts

Trelleborg, the Swedish mining and engineering group, yesterday reported a 26 per cent drop in first-quarter profits, but the figures matched market expectations. Trelleborg's profit after financial items came in at SKr356m (\$52.2m), down

from SKr478m in the same 1995 period, but marginally better than the market consensus estimate of SKr350m. Sales for the period edged down to SKr5.16bn from SKr5.32hn, but Trelleborg said volumes were almost unchanged. "Adjusted for movements in currencies and metals prices, volumes are by and large unchanged from last year," the company said. Operating profit fell by SKr80m to SKr262m, mainly because of a weaker performance from the group's largest business area, mining & metals, which suffered from lower metals prices, higher costs, and a generally weaker industrial cycle for the metals refining business.

The division's operating profit fell 32 per cent to SKr152m,

while distribution, the company's second-largest division, reported a 37 per cent drop in operating profit to SEr76m.

Trelleborg Industri, which is responsible for tha group's rubber operations, acquired the French rubber producer Caoutchouc Manufacture et Plastiques de Palport during the

Oil unit bolsters Horsham

Horsham, the main bolding company of Canadian financier Mr Peter Munk, said a better performance by its Clark oil refining unit in the US improved overall first-quarter results. Net profit was US\$6.8m, or 7 cents a share, against a loss of US\$7.5m, or 7 cents, a year earlier, excluding gains on dilution. The results also reflect a reduction in Horsham's interest in Clark to 46 per cent from 100 per cent.

Horsham's contribution from Barrick Gold was little changed at US\$10.8m. The contribution from Trizec, the big north American property group, was a also static at US\$4.8m. Robert Gibbens, Montrea

CSR to sell Sydney Harbour site

CSR, the Australian sugar, building materials and aluminium company, is to sell its sugar refinery site on Sydney Harbour to Lend Lease, the property and financial services group, for A\$75m (U\$\$60m). CSR said that after it carried out remedial work on the area, the net proceeds should be about A\$60m. The site is carried in CSR's books at A\$58m.

Lend Lease said it planned to develop the large 11.7 acre site, to provide housing, commercial and retail facilities at an estimated cost of A\$800m. It hopes to complete the project in time for the Sydney Olympic Games in 2000.

Nikki Tait

Great Lakes targets Nowsco

Nowsco, the Canadian cilfield service group, has found a bid to surpass last month's C\$27 a share offer from Houston's BJ Services. Great Lakes Chemical, the big US international cases of the control o producer of special chemicals for industry, has offered C\$30.90 a share or C\$695m (US\$600m) against BJ's C\$562m. It represents a 50 per cent premium over Nowsco's market price on April 2, the day before BJ announced its bid.

Robert Gibbens

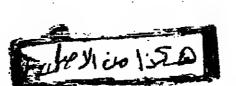
Nat Power eyes Hazelwood

National Power has confirmed it is considering making a joint bid for an Australian power station this summer. Responding to a Sunday Telegraph report that it was "poised" to make a A\$1.5bn (US\$1.27bn) offer for the brown coal-fired Hazelwood power station in Victoria in conjunction with Pacificorp, the US utility, National Power said the bid was one of several options for international expansion it was considering.

FT GUIDE TO WORLD CURRENCIES

	£ STG	US \$	D-MARK	7EN (X 100)		E शव	US 3	D-MARK	YEN px 100j		e sto	U\$ \$	D-MARK	₹E7 (X 100
Vghanistan (Alghan			3110.00	4835.09	Greace Drachmet	365.302	243,130	159.188	232,100	Oman (Riai Omană	0.5785	0.3850	0.2521	0.367
Ubania (Lei Voeria EDina	d 149.198	54,8240	85.0167 36.9616	94.8196	Greenland (Denich Krone) Greenland (E. Curth St	8.6492	5.8897	3.8563	5.6240	Poliston (Pak, Russel)	52.1598	34.7153	22,7299	33,146
Indotra French F			3.3807	4,9303	Guadalouse Succel Fr	4,0568 7,7578	2.7000 5.1633	1.7676 3.3807	2.5762 4.9303	Persona (Balboa)	1.5025	1	0.6548	0.954
Sp Paget	101.829	127.540	83.508B	121.786	Guarn (US S)	1.5025	3.1033	0.6548	0.9549	Papus New Gizinea (Guarana Paraguay (Guarana	1.9468	1.2970	0.8492	1.238
viccie (Read Kwarzak)	97755.5	31784,0	20810.6	30350.0	Gustamata (Quetzal)	9.2058	6.1270	4,0117	5.8506	Peraguay (Guaran) Peru (New Sot)	3050.08	2030.00	1329.14	1938.4
intigue (E Carib S	4.0568	2 7000	1.7672	2.5782	Guirea (Fr)	1497.99	987,000	652,786	952,017	Philippines (Pecal	3.6030 39.2604	2.3980	1.570;	2.283
regentine (Peer	1,4964	0.9960	0.6521	0.9511	Guines-Blesou (Puech	27089.1	18036.0	11809.1	17222.2	Pitcarn is 00 Sharings	39.200	26.1300 0.6856	17.1086 0.4356	24.951
krmenia (Orazi	609.840 0	405.750	265.865	387.443	Guyana (Guyanees S)	206,697	138,900	90.9448	132 633	ONZ S	2.1805	1.4565	0.9536	1,390
rubs (Flori		1.7900	1.1720	1.7092						Poland (Zloty)	3.9670	2.0602	1,7410	2,540
ustralio (Aus :	1.8658	1,2650	7,0070	1.1984	Helti (Gourda)	24.3045	16.1760	10.5912	15.4462	Portugal (Escucio)	236,058	157,110	102,868	150.02
Izerbailen (Mena		4376.00	2865.19	4178.68	Honduras (Lempira) Hong Kong (HK S)	16.3322 11.6234	10.8700 7.7360	5.065)	10.3798	Puerto Rico (US S)	1.5025	1	0.6548	0.954
somes (Port Excude		157.110	102.858	160.022	Hungary (Fories)	221,762	147.505	96.6379	7.3870 140.936					
						CE 1.7 CE	1-1,	90.00	140.336	Geter (Rayel) Reunion Is, de la (F/Fd)	5 4702	3.6407	2.3034	3,476
Ishamos (Bahana S		1	0.8548	0.9548	lesiand (Icalandic Krong)	100.996	07.2200	44 9123	64 1872	Rounion to de la (F/Fd) Romania fl.au	7.7578	5.1633	3.3807	4,9303
Sahroin (Dino	7 0.5665	0.3770	0.2468	0.3600	Inclis (Indian Ruppe)	51.9115	34.5500	22 6216	12.9912	Russu (Rouble)	4612 68 7450,16m	3070.00	2010.00	2931.45
laleanc is Sp Peast		127.540	83.5068	121,786	Indunesia (Ruplaty)	3409.52	2329 00	1524.91	2223.92	Premise En	330.550	4364.50 220.000	3250.51 144.045	4740.6
Sanglaciesh (Take		41.2500 2.0113	27.0084 1.3180	29.2509	ime (File)	4507.50u	3000.00	1964.25	2964 96		300.550	220.000	144 045	210.074
Servedos (Bero :	3 0220 i 20133.5a	13400.0	8/73.45	1,9208	ima (magi Dinar) ima (inaci Dinar)	0,46710 1502,50m	0.3109	0.2036	0.2969	St Christopher (E Carlo S)	4 9568	2.7000	1,7578	2.578
leigium (Beig F		31.3800	20.5526	29.9737	Aracy (Fracy Chines) Math Reco (Punt)	0.9658	1000.00. 0 6428	654,750 0,4209	984 882	St Helena (C)	1	0.6656	0.4358	0.6353
letze B:		2,0000	1.3095	1,9096	large (Shelet)	4.8279	3,2133	2,1039	0.5138 3.0683	St Lucia (E Canh S	4.0568	2.7000	1.7678	2,578
ener (CFA F	775,780	016.330	338.087	493.034	Rafy (Lira)	2349.53	1583.75	1023.87	1493.20	St Pleans (French Fr) St Vincent (F Conto S)	7.7578	5.1633	3.3607	4.9303
errauda (Berriudia) \$	1,5025	1	0.654B	0.9549		20-2.02	120012	102.201	***********		4.0568	2.7000	1.7678	2.5783
hutan (Ngultum	61,9115	34,5800	22,6210	32,9912	Jameica (Jamaican S)	55,7194	37.7500	24 7166	36,0468	San Marino (Italian Lira) Sao Tome (Dobra)	2349.53	1563.75	1023.B7	1493.20
olivia (Bollyano		5.0800	3.3730	4.8317	Japan (Yan)	157.349	104,725	69.5687	100	Soudi Arabin (Pivel)	2983,44 5 6347	1985 65	1300.10	1889.00
otswere (Puts	5.0339	3.3501	2.1935 0.8496	2.1969	Jordan (Jordanium Deser)	1.0853	0.7090	0.4542	0 6770	Senegal ICFA Fo	775.780	3.7502 516.330	2,4654 338,067	3.5810
razi (Res runoi (Branei 1		1,4027	0.9184	1,3364	Kerakhalan (Totas)					Seychalias (Rupae)	7.5351	5.0150	3.2836	4.7667
kulgarla (Len		100.015	86 4848	PS.5025		100.107 67.6250	66.6600 58.3200	43.6588 38 1850	63.6715	Sierra Leone (Leone)	1262.10	840,000	549,990	802,101
uriono Faso (CFA F	775,780	516.330	336,067	493,034	Kenya (Kenya Shilling) (Gribali (Australian S	1.6858	1,2550	0.8217	55.6867	Singapore (S)	2.1078	1.4027	0.9184	1,3394
uma Kva		5.9037	3.8655	5.6373	Kores North (Word	3,2304	2,1500	1,4077	1.1984 2.0530	Slovakia (Koruna)	48.3356	30.8390	20.1910	29,4476
urundi (Burung F		263.863	185,729	270.865	Korea South (Work	1189.32	778.250	509.556	743.137	Solomon is (Total)	208.519	137.450	80.9954	131,249
					Kowait (Kuwaiti Diray)	0.4502	0.2007	0.1962	0.2862	Some Rep (Shifting)	5 3149	3.5373	2.3101	3.3777
ambodie (Ric	3455.75	530070	1505.03	3196.23						South Ainca (Rand	3936.56 6.5997	2620-00	1715 45	2501.79
emercon (CFA F	776.780	016.330	338.087	493.034	Loca (Plaw Kip)	1982:30	850 900	802.370	578.491	Spain (Passed	191.629	4.3935	2.8760	4,1943
enedia (Canadian S enery is (Sp Peace	2.0476 191.629	1,3626 127,540	0.8923 83.5086	1,3013	Latvie (Luta)	0.8286	0.5515	0.3611	0.5266	Spanish Ports In N Africa	181.02.8	127.340	83,5068	121,788
a. Verde (CV Excust	124,863	82,9700	54,3246	121 766 79,2268	Leberon (Leberon I) Leotho (Make)	2372.45 6.5997	1579 00	1033 85	1507.76	(Sp Presta)	191,629	127,540	83.5066	121.788
aymen is (CI S		0.8511	0.5673	0.8127	Liberto (Liberton S)	1.5026	4.3325	2.8760 0.8548	4.1943 0.8549	Called -			032000	121.790
ant. Afr. Rep. (CFA F	775,760	516,330	338.067	493,034	Libya (Libyan Divan)	0 5342	0.3565	0.2328	0.3395	Sri Lanks (Ruper) Sudan Rep (Denne	82,3145	54,7650	35,8705	52,3132
ned ICFA Fi	1 775.7RG	516.330	338 007	493.034	Liechtenstein (Swins Fr)	1.8676	1.2430	0.8130	1,1869	Surieum (Duner)	151.001	100.500	65.8024	95,9656
hile (Chilean Pega	011.142	406.750	266.320	\$59.396	Lithuania (Litera)	6.0700		2.6190	3.6195	Swaziland (Litingen)	016 025 6.5097	410 000	268,449	391.502
Mins (Yuan		8.3300	6.4541	7.9542	Luxumbourg (Lier Fr)	47.1635	31.3800	20.5526	29 9737	Sweden (Krone)	10.2627	4.3925 6.8304	2.8760	4.1943
iolombia (Col Peac iomorpa (Fr	1596.33	1082.45 387.701	665.639 253.647	7014.51	Manual Statement	12,0057				Switzerland (Fr)	1.8576	1.2430	4,4722 0.8139	8.6222
engo (CFA F		516,330	338.087	370,209 493,034	Macadonia (Patace) Macadonia (Deneri	57.2453	7.9905	5.2318	7.6300	Syrta (D)	63.0299	41,9500	27.4668	1.1899 40.0573
cests Rice (Color		203.025	132,831	193.865	Madagerate (MG Fr)	5709.50	38,7000 3800.00	24,9480 2488 05	36.3610 3628.55	Tankon (S)	40.8138	27.1640	17.7858	25.0384
dan d'Ivoire (CFA F	775,790	016.330	338.067	483,034	Shoulder (Class Consuled)	236,058	157,110	102,868	150.022	Tenzane (Shilling)	803.838	535 000	350.221	610.882
rostie (Kuru	8.3937	5.5805	3.8578	5.3346	Material (Kweichal)	23,0400	15.3350	10,0406	14.6431	Togo Rep (CFA Fr)	37,9807	25.2650	18.5423	24,1251
Libe (Cuben Peso			0.6548	0.9549	Material (Kurschel Materials (Piroget) Materials (Piroget)	3.7472	2.4940	1,6329	2.3815	Tongo la (Pa'enga)	775 780	516.330	338.067	403,034
ypra (Cypras)		0,4742 27,8850	0.310g 18.120g	0.4528	Moldhie III (Fichyo)	17.6645	11.7700	7.7054	11.2390	111111200 1009000 GD	1.8858 6.6394	1.2550 5.7500	0.8217	1.1984
zech Rep. (Könung Jengsark (Denish Krone		5.8897	3.8563	26,4369 6,6240	Mail Rep (CFA Fr)	775.780 0.5610	016.330	338.057 0.2406	493.034 0.3507	Turnets (Decar)	1.4733	0.9806	3.7648 0.5420	5.4906 0.9363
Bouti Rep (D) Fe	240,400	160.000	104,760	152,701	Martinique (Local Fr)	7.7578	0.3673 6.1633	3,3807	4,9303	Turtosy (Lira)	114415.5	76150 0	49850.2	72714.3
Phouti Pep (Djib Fe prainica (E Carto S	4.0568	2,7000	1.7678	2.5782	Mauritania (Ougulya)	204.838	136,130	69,1312	129.988	Turks 0 Carcos (US 5)	1.5025	1	0.8648	0.9549
ominican Rep (D Pego	20.9975	13,9750	9,1501	13.3445	Marrisha Start Russel	29,2151	19,4450	12.7310	10.5677	Tuvetu (Australian S)	1.8858	1.2550	0.6217	1.1984
cador Sucre		3096.00	2027.11	2956.31	Mexico (Mexican Pasa)	11.2319	7,4755	4.8946	7.1382	Uganda (New Shilling)				
Per	4639,72%	3068-00	2021.87	2948.68	Minumine S ment Ca	7,7578	6, 1633	3.3807	4.9303	(Karbayanaya)	1622.03 276784.7	1013.00	663.262	957.295
gypt (Egyptien S Selvador (Colori	13.1544	3.4187 8.7550	2.2300 5.7323	3.2654	Mokiona (Lau)	6.8604	4.5700	2.9922	4.3636	UAE (Dirtem)	5.5186	164200.0 3.6730	120605.0	175889.2
quet Guines (CFA Fr	775,780	516,330	338.087	8.3600 493.034	Monaco French Fr	7.7578	6.1633	3.3607	4.9303	United Kingdom (E)	1	0.6656	2.4049 0.4358	3.5073
stonia 60'out	18,3516	12,2140	7.9971	11,6629	Mongolia (Tugrik) Montserrat (E Carlo S)	701,173 4,0588	486,670 2,7000	305.552 1.7678	445.615 2.5782	United States (US \$	1.5025	1	0.654R	0.6355 0.9549
thlopia (Ethiopian Birr	6.7145	5.8000	3,7976	5.5383	Horoco Orteni	13,1529	6.7540	5.7317	8.2590	Uruguay (Peno Uruguayo)	11 4641	7.5300	4.9956	7.2858
					Mozarabious (Melical)	16737.9	11140.0	7293.92	10837 4	TA TANK	166.567	110.860	72.5858	105,856
Mand in Fak S	1	0.6656	0.4368	0.6366						Venezueta (Botyarira)	2348.53 700,738v	1563.79	1023.87	1493.20
aros is (Denish Krome	8.8492 2.0041	5.8997 1.3937	3.8663	5.6240	Namabia (S.A. Rend)	6.5997	4.3625	2.8760	4,1943	Anthem (Double)	18547.0	466.380 11013.0	305.362°	445.338
pis (Fig.S nland (Markin	7.2136	4.8311	3.1436	1.3309	Neuro is (Australian 2) Neoni Pierralese Russai	1.8858 86.0182	1.2550 57.2500	0 8217 37.4645	1 1984 54,8670	ANDURA BERNAN (US 5)	1.5026	TIOTA D	7219.76 0.6548	10516 1 0.0549
ance (manual	7,7578	5.1683	3.3807	4.9303	Notherlands (Guilder)	2.5830	1,7058	1,1186	1 8298	Wingin b-US (USS)	1.5025	;	0.6548	0.9549
. Cty/Athon (CFA Fr		618.330	338,087	493,034	N'nd Antilles (A/Guillann	2.6895	1,7900	1.1720	1,7092	Western Samon (Tales			*******	113049
, Guiana (Local Fr	7,7578	5.1633	3.3807	4,8303	New Zestand (NZ S)	2.1865	1.4565	0.9536	1.3907	Western Samon (Tale) Yemen (Rec of) Since	3.6772	2,4474	1.6024	2,3370
. Pactic in CFP Fr	141.217	93,9661	61.5387	20.7475	Nicerague (Gold Cordobas	12,3449	8-2162	5.3796	7.8456	Yugoslavia (New Draw)	210.350	140.000	D1 6850	133,684
abon (CFA Fr	775,790	015,330	336.067	493.034	Niger Hop (CFA Fr)	775.760	516.330	335,067	483.034	Zaire Rep (Zaires	7.5916 37917.1	5.0526	3.3082	4.8248
embig (Dales) emeny (D-Mark	14,5494 2,2948	9.7500 1.8273	6.3838	9.3101	Nigerin (Natra)	33.0550a	22.0000	14 4045	27.0074		1855.59	25235.0 1235.00	16523.3	24097.4
errouny (D-Mark hana (Cedi	2407.01	1,5273	1048.91	1,4564 1529,72	(Pileja) Norvezy (Pior, Krone)	126.265m	84,0500 6,5663	55,0315 4,2980	80.2578 6.2681	Zimbabwe (5)	14 7362	9.8078	808.617 8.4217	1179.28
	4-07.01	0.6656	0.4358	0.6355	Narway (Nor. Krone)	9.8629	0.0043		0.1001				BACI/	9.3653

Special Drawing Rights May 2, 1996 Utd Kingdom \$3,986083 Utd States \$1,44571 Germany DM2.21810 Jepan Y162.223 European Currency Unit Redain May 3, 1996 Utd Kingdom \$3,986083 Utd States \$1,24606 Clemmany DM1.90819 Japan Y160.552



\$2,474,482,850

Travelers/Aetna Property Casualty Corp.

A Member of Travelers Group J



IMES TO ANDRES

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This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering was made only by the Prospectus Supplement and the related Prospectus, copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

May 2, 1996

32,000,000 Trust Preferred Securities

Travelers P&C Capital I 8.08% Trust Preferred Securities

(Liquidation amount \$25 per Trust Preferred Security)

guaranteed to the extent set forth in the Prospectus Supplement by

Travelers/Aetna Property Casualty Corp.

A Member of *TravelersGroup* J

Price \$25 per Preferred Security

Smith Barney Inc.

Dean Witter Reynolds Inc.

Donaldson, Lufkin & Jenrette

Securities Corporation A.G. Edwards & Sons, Inc.

Goldman, Sachs & Co.

Lehman Brothers

Merrill Lynch & Co.

Morgan Stanley & Co.

PaineWebber Incorporated

Prudential Securities Incorporated

Alex. Brown & Sons Bear, Stearns & Co. Inc. CS First Boston Dain Bosworth Dillon, Read & Co. Inc. Everen Securicies, Inc. Oppenheimer & Co., Inc. Piper Jaffray Inc. Rauscher Pierce Refsnes, Inc. Raymond James & Associates, Inc. The Robinson-Humphrey Company, Inc. Salomon Brothers Inc Advest, Inc. J. C. Bradford & Co. JW Charles Securities, Inc. Commerchank Capital Markets Corporation

Cowen & Company Craigie Incorporated Crowell, Weedon & Co. Davenport & Co. of Virginia, Inc. Friendsteck & Collins - Frest Albany Comporation First of Michigan Corporation Furman Selz

Gruntal & Co., Incorporated Janney Montgomery Scott Inc. J. J. B. Hilliard, W. L. Lyons, Inc. Josephthal Lyon & Ross

Interstate/Johnson Lane Kennedy, Cabot & Co.

Legg Mason Wood Walker Morgan Keegan & Company, Inc.

McDonald & Company McGinn, Smith & Co., Inc. The Ohio Company Rodman & Renshaw, Inc.

Olde Discount Corporation Scott & Stringfellow, Inc.

Principal Financial Securities, Inc. --Muriel Siebert & Co., Inc. Stephens Inc.

Stifel, Nicolaus & Company

Sutro & Co. Incorporated

Tucker Anthony

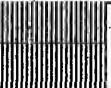
U.S. Clearing Corp.

Utendahl Capital Partners, L.P.

Wedbush Morgan Securities

Wheat First Butcher Singer

Yamaichi International (America), Inc.



This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus Supplement and the related Prospectus, copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

May 2, 1996

\$700,000,000

Travelers/Aetna Property Casualty Corp.

A Member of Travelers Group J

\$500,000,000 6¾% Notes due April 15, 2001 \$200,000,000 7¾% Notes due April 15, 2026

Price 100% per 5-Year Note Price 99.649% per 30-Year Note (Plus accrued interest, if any, from April 15, 1996 to the date of delivery)

Smith Barney Inc.

CS First Boston

Donaldson, Lufkin & Jenrette Goldman, Sachs & Co. Lehman Brothers

Merrill Lynch & Co.

J.P. Morgan & Co.

Morgan Stanley & Co.

Salomon Brothers Inc.

Chase Securities Inc.

Citicorp Securities, Inc.

UBS Securities LLC



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May 2, 1996

38,979,314 Shares

Travelers/Aetna Property Casualty Corp. A Member of Travelers Group J

Class A Common Stock

Price \$25 per Share

31,892,166 Shares

These Shares are initially being offered in the United States and Canada by the undersigned.

Smith Barney Inc.

CS First Boston

Dean Witter Reynolds Inc.

Goldman, Sachs & Co.

Lehman Brothers

J.P. Morgan & Co.

Morgan Stanley & Co.

Salomon Brothers Inc.

Bear, Stearns & Co. Inc. Alex. Brown & Sons

Donaldson, Lufkin & Jenrette

A.G. Edwards & Sons, Inc.

Deutsche Morgan Grenfell

First Manhattan Co.

Dillon; Read & Co. Inc.

Lazard Frères & Co. LLC

Merrill Lynch & Co.

Schroder Wertheim & Co.

Advest, Inc.

Oppenheimer & Co., Inc. PaineWebber Incorporated Prudential Securities Incorporated Arnhold and S. Bleichroeder, Inc.

Sanford C. Bernstein & Co., Inc.

Brean Murray, Foster Securities Inc.

The Chicago Corporation

Duff & Phelps Securities Co.

Conning & Company First of Michigan Corporation

Dowling & Partners Securities, LLC

Fox-Pitt, Kelton Inc.

Neuberger & Berman

Furman Selz

Janney Montgomery Scott Inc.

The Robinson-Humphrey Company, Inc.

Muriel Siebert & Co., Inc.

7,087,148 Shares

These Shares are initially being offered in a concurrent international offering outside the United States and Canada by the undersigned.

Smith Barney Inc.

CS First Boston

Dean Witter International Ltd.

Goldman Sachs International Lehman Brothers

J.P. Morgan Securities Ltd.

Morgan Stanley & Co.

Salomon Brothers International Limited

ABN AMRO Hoare Govett

Barclays de Zoete Wedd Limited

Fox-Pitt, Kelton N.V.

ING Barings

Bayerische Landesbank Girozentrale Credit Lyonnais Securities Deutsche Morgan Grenfell

Nomura International

The undersigned acted as lead manager in connection with the above offerings.

A Member of Travelers Group J

COMPANIES AND FINANCE

Egypt to sell first Deregulation sparks Nordic merger frenzy majority stake in Sweden's generators jostle for pole position in the industry, reports Greg McIvor public company

By James Whittington in Cairo

The Egyptian government yesterday announced a landmark decision to sell the first majority stake in a public sector company to private inves-tors through the Cairo stock exchange.
The decision was taken in

response to heavy demand from foreign and local investors for an initial public offering in Nasr City Housing and Construction, the real estate

The offer, which opened on Sunday, was initially slated to sell 20 per cent of the company's share capital, with 10 per cent going to employees and the rest allocated according to demand from retail and institutional investors

This was in line with the partial privatisation technique adopted by the government for the 17 other companies sold through the stock exchange since its potentially large programme of divestiture began in

The government will now sell 70 per cent of the company's equity, or 2.8m shares, to the public, and 5 per cent, or 200,000 shares, to employees. Each share is priced at E£65 and the offer will raise E£182m

(\$53.7m). Brokers in Cairo said through. They, along with the International Monetary Fund and the World Bank, have been urging the government to sell majority stakes for the past 18

Since Mr Kamel al-Ganzouri, the prime minister, took office at the beginning of this year, the government has promised to speed up Egypt's structural reforms, especially privatisa-

"This is the opening of a new era for Egypt's privatisation programme. We can now expect to see a lot more public companies passing into private ownership," said Mr Mohamed Taymour, chairman of Egyptian Financial Group, the local merchant bank, which is co-managing the offer. He said that despite the increase in the number of shares, the offer was expected to be covered more than two times by the close of trade today.

Nasr City has benefited over the past two years from a sharp rise in real estate prices. Net profits for the year to June 1995 were E£36.53m on revenues of E£85m. It has a large asset base, consisting of land and buildings, valued at

he restructuring of the Nordic region's power industry has turned into shark's feeding frenzy. Leading domestic and foreign operators have taken hites out of each other in the struggle to enhance market position.

Few could have anticipated the speed of rationalisation when Sweden on January 1 followed Norway and Finland in liberalising its power industry, creating the world's higgest deregulated electricity market.

Analysts expected the consolidation would focus on Sweden's 250 or so distributors. Instead, the most frenetic activity has been focused on the country's generators. In the past month, sizeable holdings in several companies have changed hands at feverish pace. But some observers have raised doubts over the indus-

"The ownership structure in Swedish power companies is in chaos. It is impossible to say what will finally emerge," says Dr Karl-Axel Edin, president of Tentum energy consultants in Stockholm. Like others, be has been surprised by the pace of

While big state-owned pro-ducers such as Sweden's Vattenfall, Imatran Voima (IVO) of Finland and Norway's Statkraft, have been manoeuvring to strengthen their grip on the Nordic sector - seeing it as a springboard for future expan-sion into Baltic and mid-European markets - medium-size operators have been scrambling to guarantee their sur-

Eight Swedish generators control 93 per cent of the domestic market, but only Vattenfall, with a 50 per cent market share, is seen as big enough to he assured of remaining a long-term independent player.

Many utilities are locallybased, and their stand-alone prospects will depend heavily on their ability to grow sufficiently to develop at least a national presence The prospect of substantial economies of scale for genera-

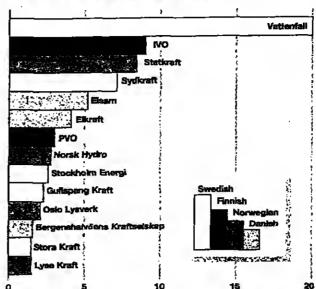
tors, oo top of rising electricity prices - partly because last winter was unusually cold - is feeding the thirst for acquisitions and strategic alliances. "The bigger and more efficient companies eat the smaller ones. That is one rea-

son why we want to be bigger

and bigger," says Mr Jari Jaak-kola, vice-president in charge of investor relations at IVO. Last month, the Finnish mpany took a 51 per cent interest in Gullspangs Rraft, the regional Swedish energy utility, and announced an alliance with Stockholm Energi. Sweden's third-largest genera-

Gullspangs Kraft has also

Nordic market's largest suppliers



been the subject of interest from Preussen Elektra of Germany, which purchased a 12 per cent holding. Sweden's sixth-biggest power supplier, Graninge, has also bought a 14 per cent stake, and last week bought Jäfāa Energi, a regional power distributor, for SKr666m

company after a battle for con-But Graninge, whose move trol with Sydkraft, Sweden's into Gullspangs Kraft was

Amid the feverish mood currently pervading the sector, analysts have questioned the wisdom of some transactions. IVO's move into Sweden is seen as a logical step and a direct response to Vattenfall's entry into Finland last year. However, question marks have been raised over EdF's involvement in Graninge, given the absence of a clear industrial link between the two companies. The French group has outlined few specific plans for Graninge. It has said it sees the holding as a way of gaining experience of the unregulated

power market.
Mr Per Axelsson, utilities specialist at Cap Gemini consultants in Stockholm, said Sweden and the Nordic countries were becoming a laboratory for continental power gen-erators en route to future wider European deregulation. This would mirror the liberalisation of the Swedish telecommunications sector over the past five years, which spurred rapid foreign investment

With EdF and Preussen Elekcent in the past month after Electricité de France, the tra already active in Scandinavian power companies, observ-ers predict the sector will soon attract wider European intera 54 per cent interest in the est. Named among possible entrants is Yorkshire Electricity, the UK generator, which

tor. In addition, Preussen Elek-tra has bought a 12.4 per cent stake.

Amid the feverish mood cur-

in Sweden. A suitable opportunity may arise through Incentive, the Wallenberg investment company, which has stated its intention to relinquish owner-ship of Skandinaviska Elverk, another Swedish energy pro-

The deal, estimated to be worth between SKr2.5bn and SKr3.5bn, is expected to interest a host of competitors, among them IVO, Sydkraft, EdF and Graninge.

Vattenfall has also expressed a desire to strengthen its balance sheet to fund expansion in the Baltic region. That would be most easily achieved by privatising a tranche of the state's 100 per cent holding, but the Social Democratic government has made clear that Vattenfall is not currently for

Girded by a 50 per cent Swedish market share, Vattenfall is unaccustomed to being challenged on its domestic patch. Nevertheless, it has felt obliged to respond to IVO's incursion into Gullspangs Kraft. It purchased a 13 per cent stake for close to SKr1.3bn a riposte that underlined the determination of the biggest company not to be outrun in the restructuring race.

May 1996

12,250,000 Shares

APT

AMERICAN PORTABLE TELECOM

Common Shares

2,450,000 Shares

The above shares were offered outside the United States by the undersigned.

Donaldson, Lufkin & Jenrette

Goldman Sachs International

Merrill Lynch International Limited

Salomon Brothers International Limited

SBC Warburg

Cazenove & Co. **ING Barings**

ABN AMRO Hoare Govett

Credit Lyonnais Securities

Paribas Capital Markets

Société Générale

9,800,000 Shares

The above shares were offered in the United States by the undersigned.

Donaldson, Lufkin & Jenrette

Goldman, Sachs & Co.

Merrill Lynch & Co.

Salomon Brothers Inc

Dean Witter Reynolds Inc. A.G. Edwards & Sons, Inc.

Alex. Brown & Sons BT Securities Corporation CS First Boston Deutsche Morgan Grenfell

Dillon, Read & Co. Inc.

Lazard Frères & Co. LLC Morgan Stanley & Co.

Bear, Stearns & Co. Inc.

Furman Selz Lehman Brothers Gabelli & Company, Inc. Montgomery Securities

PaineWebber Incorporated Schroder Wertheim & Co.

Smith Barney Inc.

Oppenheimer & Co., Inc. Prudential Securities Incorporated

Wasserstein Perella Securities, Inc. William Blair & Company

SBC Capital Markets Inc. Robert W. Baird & Co. Crowell, Weedon & Co.

McDonald & Company

Everen Securities, Inc. Hoak Securities Corp.

The Chicago Corporation Fahnestock & Co. Inc.

Johnston, Lemon & Co.

First of Michigan Corporation

Moran & Associates, Inc. Pennsylvania Merchant Group Ltd

Needham & Company, Inc. Principal Financial Securities, Inc.

The Robinson-Humphrey Company, Inc.

Pryor, McClendon, Counts & Co., Inc. Raymond James & Associates, Inc.

Ragen MacKenzie

Roney & Co. Tucker Anthony Muriel Siebert & Co., Inc. Van Kasper & Company

Sutro & Co. Incorporated Wheat First Butcher Singer All of these securities having been sold, this announcement appears as a matter of record only

motivated by a desire to collab-

orate with IVO, has in turn

found itself targeted. Its share

price has jumped almost 20 per

French state power utility, directly and indirectly secured

May 1996

7,200,000 Shares



Terra Nova (Bermuda) Holdings Ltd.

Class A Ordinary Shares

1,320,000 Shares

The above shares were offered outside the United States, Bermuda and Canada by the undersigned.

Donaldson, Lufkin & Jenrette
Securities Corporation

Merrill Lynch International Limited

J.P. Morgan Securities Ltd.

ABN AMRO Hoare Govett Deutsche Morgan Grenfell Paribas Capital Markets

Cazenove & Co.

Conning & Company

Fox-Pitt, Kelton NV

Société Générale

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()

>

5,880,000 Shares

The above shares were offered in the United States, Bermuda and Canada by the undersigned.

Donaldson, Lufkin & Jenrette
Securities Corporation

Merrill Lynch & Co.

J.P. Morgan & Co.

Bear, Stearns & Co. Inc. Deutsche Morgan Grenfell Goldman, Sachs & Co.

Oppenheimer & Co., Inc.

First Bermuda Securities, Inc.

Interstate/Johnson Lane

Parker/Hunter

Alex. Brown & Sons Dillon, Read & Co. Inc. Lazard Frères & Co. LLC

A.G. Edwards & Sons, Inc. Morgan Stanley & Co. Salomon Brothers Inc Smith Barney Inc.

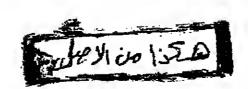
Conning & Company Dowling & Partners Securities, LLC Janney, Montgomery Scott Inc. Moors & Cabot, Inc.

Fox-Pitt, Kelton Inc. Northington Capital Markets, Inc.

Dean Witter Reynolds Inc.

Advest, Inc. Robert W. Baird & Co. William Blair & Company J. C. Bradford & Co. First Manhattan Co. Furman Selz McDonald & Company Needham & Company, Inc.

Ragen MacKenzie **Tucker Anthony**



INTERNATIONAL CAPITAL MARKETS

CME considers change to S&P future Treasuries stage recovery

as the stock marker rally of 1996 left the henchmark Standard as the stock market & Poors 500 index futures too big to trade? That'a a question the Chicago Mercantile Exchange has been wrestling with for the past month as it considers the future of its S&P 500 index derivatives contracts. Long the wholesale market for money managers who need

to make quick, cheap and efficient adjustments in their equity portfolios. Chicago's S&P 500 futures and options contracts are among the most actively traded and successful derivatives in the world. Customers use index futures to buy or sell shares synthetically of all 500 companies in

the high-cap index almost instantly - a feat that could take precious minutes or even hours in the cash market. Never a place for amateurs, the value of a single S&P 500 futures contract has risen from about \$62,000 when the pit opened in 1982, to about

\$325,000, as the underlying cash index tops 650. Furthermore, this year's stock market volatility has Stock Exchange, where turn-

boosted the average daily price swing per contract to about \$4,000 - twice last year's levels. In comparison, a single US Treasury bond futures contract has an average daily price swing of about \$1,000.

over has doubled since 1987. During the period, the NYSE has seen a succession of stock splits, which has cut its average share price, increasing trading appeal to retail

The Chicago Mercantile Exchange is thinking about tinkering with its star index derivative product. Laurie Marsh explains why it is disappointed with volume growth and looks at the possible pitfalls of change

Stock index futures customers have always been big institutional players accustomed to the costs and risks associated with the market, so why is the CME thinking about tinkering with its star product now? For one thing, the exchange is uneasy that volume in its futures pit has not expanded in

tandem with the New York

In the futures pit, the reverse has happened. As the S&P 500 index value appreciates, larger amounts of capital are needed to support a derivatives trade, and more and more customers are being flushed out of the

Traders maintain that over the long run this has diminished the efficiency of the pit, leaving pricing less competitive and increasing the amount angry customers. Halving the be filled.

The high value of the contract has discouraged business in other ways. Institutional traders who use futures as protection against price swings in the cash market say a bigger contract becomes a less precise hedging instrument and leaves them exposed to broader daily price swings and greater risk.

Although S&P 500 futures

volume continues to grow moderately each year, the gains are disappointing to the CME, where income is linked to turnover, and where new growth is desperately needed to offset its languishing foreign currency futures business.

A simple remedy, exchange officials say, is to halve the value of its index futures contract. The CME's S&P 500 contract value is now determined by multiplying the value of the underlying cash index by 500. Changing that multiplier to 250 should translate into twice as many contracts at half the

However, dividing the multiplier could result in some

of time it takes for an order to contract value may or may not increase the liquidity in the pit, but it certainly will double the amount of money owed in brokerage, clearing, and exchange fees for the same dollar amount traded, customers

say.
"What it comes down to," says Mr William Byers, Managing Director for Bear Stearns, "is whether an unknown increase in liquidity will offset a known increase in transaction costs."

There is no question that the pit is not functioning as efficiently as it should, but I am not sure cutting the contract size will solve the problems," said another analyst.

For now, the exchange is soliciting comment from customers on a potential contract split and seem poised for quick

However, executives note that other options are available, from taking nn action, to creating a "mini" S&P 500 futures contract that would appeal to retail investors and would trade independently of

after sell-off last week

By Lisa Bransten in New York and Semer Iskandar in London

US Treasury prices yesterday posted a modest rebound after last week's sharp sell-off but the yield on the benchmark 30year Treasury remained above per cent.

Near midday, the benchmark 30-year Treasury was up # at 8611 to yield 7.071 per cent and the two-year note was 🛔 higher at 9932, yielding 6.146 per cent. The June Treasury bond future was 14 stronger at 1073.

Mr Kevin Sluder, a senior fixed-income trader at First Chicago Securities, said some investors appeared attracted by the higher yields that have resulted from last week's sell-off. "I think things got a little bit out of hand on Friday, so we bounced back a little from those levels," be said.

But trading was expected to remain choppy and volumes light ahead of the new supply set to come oo to the market today and tomorrow as the Treasury department sells three-year and 10-year debt as part of its quarterly refunding operations. Today, it will auction \$19bn of three-year notes and tomorrow it plans to sell \$14bn in 10-year notes.

Also important this week will be Friday's figures on the Producer Price Index, which should offer the market some guidance about the prospects for an emergence of inflationary pressures later this year.

■ Most European markets benefited from the strength in US Treasuries, ending the day higher after opening below last week's levels.

GOVERNMENT

■ French government bonds had a positive session. Matif's June notional future gained 0.14 to close at 122.76, its highest level of the dsy, with support from the strength of the currency on the foreign exchange market. In the cash market, 10-year French yields ended at around 3 basis points below those of German hunds. Analysts believe this situation could last, because the

French bonds are more attrac-

government appears increasingly determined to tackle pub-lic deficits. One trader in Paris said that "if market participants continue to believe in the convergence scenario,

tive than bunds, because yields [in both markets] will tend to move closer, whereas the franc will still have room to appreciate against the D-Mark".

■ German bunds alsn ended higher after trading down on bearish economic data showing a fall in the German unemployment rate. However, the June bund future, listed on the DTB in Frankfurt, closed at 95.80, up 0.10, helped by a firmer US

Treasury market.

Economists at BIP/Dresdner Bank in Paris believe the German market will focus on social negotiations that started yesterday and will end today.

■ Italian BTPs also gained some ground. The June future on 10-year BTPs, traded in Milan, settled 0.09 higher at 113.94. In the cash market, the 10-year yield spread of BTPs over bunds narrowed by 5 basis points to 336 points.

Spanish bonos closed higher after a weak start, in line with other markets. The June future on 10-year bonos settled at 98.23, up 0.23. Traders are now likely to focus on spending

New World Infrastructure plans convertible

By Louise Lucas in Hong Kong

New World Infrastructure (NWI), the infrastructure arm spun off from New World Development last October, is considering a US\$250m fiveyear convertible bond issue to fund existing and potential

The company, which recently announced a 51.45 per cent rise in net profits from HK\$227.25m to HK\$344.18m for 1995, has secured a rating for

main credit rating agencies. Standard & Poor's has rated the bonds BBB-, with a positive untlook, and Moody's Investors Service has indicated

it would rate the bonds Bal. NWI said it had increased its stake in China's Northern Ring Road through the purchase of an additional 20.64 per cent indirect equity interest for Yn406m.

Once the deal goes through, NWI's interest in the project will rise from 40 per cent to

the mooted bonds from the two 60.64 per cent. The company is scheduled to be up and runalso negotiating with other joint venture partners in the Wuhan Bridge Development project to increase its interest from 48.86 per cent to 68.86 per cent, at a price yet to be nego-

> NWI is expected to have a 70 per cent equity interest in the three Guangzhou hridges involved, and a 50 per cent interest in the profits of the

The cost is estimated at shares representing 12.5 per

ning between 1997 and 1998. Beyond these projects, NWI is scouting around for other opportunities and is negotiating on a number of power and road projects, as well as mulling over certain port projects. NWI has applied to list the

ENERGY

bourg Stock Exchange. Pricing This latest fund-raising, has not yet been determined, which was first hinted at in but it is estimated that the NWI listing prospectus, folthe bonds will convert into lows the spin-off in October last year which raised some Yn2,2bn and the hridges are cent of the existing issued HK\$1.8bn

■ CRUDE OIL NYMEX (42,000 US galls. \$/barrel)

share capital of the company. New World Development has previously looked to overseas markets to list paper: in 1993 it launched a US\$200m Dublin listed China investment fund, which embraced a number of China infrastructure and property projects and was effectively a precursor of NWL

> agency. The deal was signed yester

day in Beijing, said SBC War-hurg, which has been chosen year.

First Euro-CP for Chinese agency

The China International Trust and Investment Corporation (Citic) has announced the creation of a \$100m euro-commercial paper programme, the first such financial arrangement by a Chinese governmental

By Samer iskandar

as the arranger and dealer in the securities to be issued under the programme. Citi-

The programme has been established as a multi-currency facility, and the maturity of all securities thus issued will be

Citic is a state-owned corporation and operates under the direct leadership of China's bank is the issuing and paying State Council.

The proceeds from the eurocommercial paper programme will be earmarked to finance the working capital needs of

Pakistan telecoms sale suffers further delay

By Farhan Bokhari

The privatisation of Pakistan Telecommunications Corporation (PTCL), the monopoly telephone company, may again be delayed until October.

The Pakistani government said a postponement was being considered because of competicompanies due to be offered on the international markets this

The plan had been to offer the company by mid-summer, but a firm decision is now due to be taken on May 20, when the government's privatisation commission submits its recommendations for PTCL to the federal cabinet in Islamabad.

The government wants to sell 26 per cent of PTCL and transfer its management to a private investor. The move to delay PTCL'a privatisation again has followed earlier setbacks in its privatisation plan.

The company was to be offered for sale by December last year, but concerns then over a lukewarm response from potential investors forced the government to delay the sale for three months.

•

The latest delay, the second since December, would almost certainly dampen investor confidence, some husinessmen

said yesterday. Ms Benazir Bhntto, the Prime Minister, said in Islamabad last week: "I think that in privatising PTCL we have to consider what other events are taking place in the global company's privatisation plans had coincided with the planned sale of three other large telecom companies in different

"The Privatisation Commission is having second thoughts about going to the market at the same time as three other major telecommunications privatisations in the belief that if the market were flooded with such offers then the response would not be adequate." Pakistan has been urged by

Western donors and international financial institutions to privatise its public sector companies so it can use the money raised to pay off debt. It is not yet clear to what

extent a further delay over the PTCL issue will affect the country's overall privatisation

COMMODITIES PRICES								
HK	SH GRAI	DE COP	PER (C	COMEX)				
	Sett	Day's change	High	Low	Voi	Open int		
lay.	124,50	-0.45	125,40	124.30	1,114	7,936		
leini)	123,40	-0.80	123,70	123.30	296	3,193		
	121.30	-0.90	122.40	121.20	5,004	26,173		
eg .	119.80	-0.70	119,80	119.80	1	740		
ap	118.20		119.10		826	4,754		
ď	116.75	-0.60	117.35	117.35	55	461		
ptel					8,575	53,580		

Precious Metals continued GOLD COMEX (100 Troy oz.; Scroy oz.)							
	Sett	cpands Days	High	low	Yel	Open tut	
May	394.1	41.6	-	-	-	-	
Jon	395.7	+1.6	396.0	394.2	33,002	95,305	
Aug	398.2	+1.6	398.7	397.0	2,918	21,722	
Oct	400.8	+1.7	400.6	400.2	55	5,518	
Dec	403.4	+1.7	403.8	402.1	1,693	26,517	
Feb	406.0	+1.8	405.8	405.8	23	5,150	
Total					38,029	202,004	
E PL	MUNITA	KHMEX	(50 Tr	oy oz.;	\$/troy o	(Z)	
Jal	408.5	+0.9	409.0	407.6	1,843	20,092	
Oct	411.5	+1.0	411.5	411.0	84	3,452	
وجل	4143	+1.0		-	2	611	
Aper	417.0	+1.0	-	-	2	1,318	
Total					1,927	25,773	
■ PAL	LADRUM	NYME	X (100	Troy or	2.; \$/tro	y oz.}	
Jun	136.95	+0.90	137.00	135.50	670	4,648	
Sep	138.15	+0.90	137.50	137.25	157	2,618	
Des	139.25	+0 90	139.00	138.75	134	443	
Total					967	7,706	
■ SIL	SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)						
Hay	544.5	+21	546.5	540.5	184	439	
Jeen	546.B	+2.0	543.0	538.0	3	5	
Jel	549.0	+2.0	551.5	545.5	22,388	65,444	

| 20.96 | -0.22 | 21.82 | 20.81 | 33,463 | 96,231 | 20.00 | -0.12 | 20.46 | 19.80 | 16,616 | 72,643 | 19.34 | -0.07 | 19.86 | 19.26 | 5,895 | 52,537 | 18.87 | -0.06 | 19.15 | 18.83 | 2,104 | 36,220 | 18.65 | -0.09 | 18.89 | 18.60 | 335 | 24,342 | 18.50 | -0.08 | 18,72 | 18.50 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 16,921 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | 2,635 | HEATING ONL MYNEX (42,000 US galls.) 54.40 -0.34 56.10 54.10 10,131 24,853 52.40 -0.30 53.70 52.10 3,888 16,237 51,90 -0.25 52.90 51,80 2,023 14,042 52.20 -0.20 53.10 52.20 676 7.216 52.80 -0.05 53.70 52.90 74 4,131 53.40 -0.10 54.05 53.40 313 4,140 17,762 95,743 MATURAL GAS NYMEX (10,000 pm/8tu; \$/mm8tu.) 2.137 +0.006 2.155 2.130 15.577 29.305 2.155 +0.018 2.155 2.135 5.585 20.811 2.145 +0.005 2.150 2.135 2.183 15.179 2.120 -0.010 2.135 2.120 1.007 11.002 2.175 -0.008 2.150 2.170 430 7.834 2.175 -0.008 2.150 2.170 430 7.834

32,995144,845 UNLEADED GASOLINE 68.90 -1.02 71.60 68.50 12.503 32.250 65.00 -0.36 66.85 64.75 4,076 18,035 61.40 -0.26 62.60 61.30 2.336 12.931 56.40 -0.16 59.15 58.40 685 3,714 52.00 -3.46 56.40 56.40 75 1,319 54.25 +0.64 54.30 54.25 82 1,022

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrests. Volume & Open interest totals are for all traded months.

577.00 -44.5 633.5 616.00 369 1,032 556.50 -5.5 572.00 551.00 18,758 61,616 555.00 -3.5 569.00 549.00 2,293 15,045 553.00 -5.5 579.00 556.00 3,112 17,923 556.75 -1.25 579.00 552.00 50 1,384 505.00 - 520.00 505.00 29 140 564.45 95,798 M MAIZE CST (5,000 bu mir; cents/56tb bushel) 472.50 +1.5 479.50 462.50 4.462 11.941 47.50 +1.5 47.80 44.60 39.967 185.78 47.95 11.341 454.75 454.00 44.60 39.967 185.78 378.50 372.00 8.390 58.695 398.00 45.75 381.50 372.00 17.872137.273 344.50 48 347.30 338.00 883 15.323 344.50 465 348.50 344.50 186 18.88 SOYABEANS CET (5,000hu min; centa/60th bushel) 805.50 -3 618.00 800.00 2,083 7,708 612.00 -4.5 830.75 806.50 25,534 80,767 811.75 -1.75 825.00 886.00 1.248 11,114 786.00 -5 800.00 785.50 275 8,085 776.50 -3 789.50 772.50 11,414 71,802 782.00 -1 794.00 780.00 228 6,884 SOYABEAN OIL CBT (60,000lbs: cents/lb) 27.49 +0.01 27.85 27.30 3,009 3,895 27.90 +0.07 28.15 27.51 12,006 58,289 28.10 +0.11 28.34 27.80 1,065 10,547 28.23 +0.09 28.45 28.00 250 4,405 28.52 28.10 700 3,270 28.52 +0.06 28.90 28.33 2,433 17.454 22,276 97,579 SOYABEAN MEAL CET (100 tons; \$/ton) 248.6 -0.5 249.5 245.0 1,365 4,474
250.4 -0.6 253.0 248.6 8,070 52,663
249.5 -1 253.5 248.0 855 11,574
246.7 - 249.0 245.0 519 7,285
241.7 +0.1 244.0 241.5 101 3,300
241.4 -0.2 244.0 249.0 1,282 15,506
14,668 26,066

grains and oil seeds

SOFTS ■ WHEAT CBT (5,000bu min; cents/80lb bushel) ■ COCOA CSCE (10 tonnes; \$/tonnes)
 1383
 49
 1385
 1383
 6
 200

 1390
 47
 1400
 1373
 2,414
 31,894

 1402
 48
 1410
 1387
 512
 18,101

 1414
 +10
 1418
 1388
 125
 17,480

 1424
 +11
 1411
 1411
 75
 13,981

 1443
 +11
 1435
 1435
 2
 4,895
 ■ COCOA (ICCO) (SDR's/torinte) M COFFEE 'C' CSCE (37,500ths; cents/ths) 126.20 -2.05 127.00 125.50 B9 125.20 -2.35 127.00 124.70 3.363 20.06 12446 -245 12620 12400 870 5.127 12290 -1.85 12440 12250 68 2,541 12205 -245 12260 12200 96 652 121.50 -2.10 121.50 121.50 88 309 4,383 29,626 COFFEE (ICO) (US cents/pound) 10.59 +0.08 10.62 10.51 5.327 58,299 10.57 +0.06 10.58 10.50 1,796 34,584 10.58 +0.04 10.59 10.51 773 24,949 10.54 +0.07 10.55 10.48 379 6,293 10.48 +0.12 10.52 10.41 90 3,396 10.36 +0.12 10.30 10.27 280 1.205 225 128,608 8,329 128,600 COTTON NYCE (50,000lbs; cents/lbs) 85.10 +0.25 85.15 84.90 18 85 88.97 +0.83 87.10 86.30 3,171 24,555 85.55 -0.05 86.00 85.30 334 3,870 84.13 +0.18 84.0 83.90 2,806 27,924 64.75 +0.15 85.15 84.75 150 3,110 85.35 +0.05 85.40 85.25 28 1,413 85.46 83,465

Softs continued ■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) 128 86 +0.65 129 50 127 50 199 381 729.90 +0.80 130.50 128.80 4,476 13.153 129.45 +0.70 129.75 128.50 523 3,307 126.20 +1.20 125.10 124.50 99 1.071 121.25 +0.50 123.50 122.50 68 3.165 125.25 +0.50 124.70 124.70 33 MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000lbs; cents/lbs) Sett Deg's Does Price change High Low Vol Int 60.800 +0.100 61.250 60.300 11,311 32,013 63.225 -0.400 63.750 63.150 2.822 18,069 61.425 -0.100 61.825 61.526 2.314 9,923 61.650 -0.475 62.290 61.500 1,765 8,594 64.775 -0.175 65.050 64.750 267 1,644

60.800 +0.500 61.500 60.600 2,811 17,045 58.525 +0.650 59.050 58.775 1,652 8,063 54.925 +0.850 64.975 53.950 625 5,424 49.825 +0.600 50.75 44.250 505 4,807 53.075 +0.425 58.500 52.700 605 4,83

88.250 -2.000 92.000 88.350 797 2,401 85.550 -2.000 88.950 85.650 1,464 5,616 82.550 -2.000 88.100 82.550 567 2,274 80.625 -1.875 83.100 81.050 133 482 82.100 -0.200 92.100 52.100 10 29 84.000 -0.250 86.850 84.250 14 49

U.S. \$250,000,000



Crédit Lyonnais

Subordinated Floating Rate Notes Due August 1997

Interest Period Interest Amount per U.S. \$10,000 Note due 7th August 1996

5.75% per annum 7th May 1996 7th August 1996

U.S. \$146.94

CS FIRST BOSTON Agent

LKB Baden-Württemberg

US\$1,000,000,000 Guaranteed floating rate ootes due 1998

Finance N.V.

Notice is hereby given that the notes will bear interest at 5.47656% per annum from 7 May 1996 to 7 November 7 Nonember 1996 will amount to US\$27.99 per US\$1,000 note and US\$279.91 per US\$10,000 note and US\$2,799.13 per IES100.000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

TTL300,000,000,000 Floating Rate Note Notice is hereby given that for the interest period 6 May 1996 to 5 August 1996 the notes will carry an interest rate of 8.60938% per annum. Interest payable on 5 August 1996 will

EUROFIMA

amount to ITL108,813 per 1115,000,000 and 1111,050,150 per 171.50,000,000 note. Agent: Morgan Guaranty Trust Company **JPMorgan**

Three Month Interim Report 1996

THE SUCCESSFUL PUBLIC OFFERING OF SCANIA

GENERATES A STRONG APPRECIATION IN VALUE FOR THE SHAREHOLDERS

Investor's total annual return over the past 12-month period was 49.4 percent, compared with 33.2 percent for the Stockholm Stock Exchange. On April 1, Investor completed an initial public offering of 100 million shares of Scania, corresponding to 50 percent of the voting rights and capital, at a price of 5EK 180 per share. The Scania share was listed on the Stockhulm 5tock Exchange and at the same time Scania was the first Swedish company to be listed on the New Ynrk Stock Exchange. Investor has since sold an additional 10 millinn shares through a so-called nver-allntment optinn. Investor's halding subsequently amounts to 45 percent of the voting rights and capital. Assuming that the proposed 3-year warrants in Scania are fully exercised by Investor's sharehulders, Investor's interest in Scania will correspond to approximately 25 percent of the capital stock and 40 percent of the vnting rights. Following the initial public offering, Scania is included among Investor's main holdings.

Investor AB is the largest Swedish incluserial holding company. It generates value through long-term active ownership, active investment iong-term state: ownersing, stated investment operations and trading. Over the past 25 years the average total annual return to the shere-holders has exceeded 20 percent. Investor AB owns Saab, 50 percent of Saab Automobile and a portfolio of major holdings in a number of Sweden's largest most inter-rationally active industrial companies. These include Scania, Astra, Incentive (and through in ABB), STORA, Ericason, Atlas Copco, SKF and Electrolut, It also has major holdings in TV4, OM Gruppen and WM-data, Investor AB is listed in Stockholm and London, Its largest shareholders are the Wallenberg familifoundations and a number of a mutual and

Investor AS is based in Stockholm, with offices in Hong Kong, London and New York. The interm report can also be accessed on

■ Investor's total proceeds from the sale of the Scania shares amounted to SEK 18,800 m., net.

As proposed, Investor's shareholders will receive a combination of 3-year covered warrants in Scania and a special cash dividend of SEK 20.00 per Investor share.

■ The value of Investor's main holdings on March 31, 1996 was SEK 59,707 m. (Dec. 31, 1995: SEK 49.275 m.) On April 26, the value was SEK 61,058 m., an increase of 16 percent.

■ Investor's net worth was SEK 79,993 m. (51,225), or SEK 401 (257) per share. On April 26, the net worth was SEK 81,344 m., or SEK 408 per share.

The complete report can be ordered from Investor's offices.

www.investor.se

INVESTOR AB

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aims to clear muddied water

and Patrick Harverso

Mr Brandon Gough, the new chairman of Yorkshire Water. haa launched a strategic review of the group's ooo-core operations. He arrived last week at the utility, which endured a public relations nightmare last year over its anxious to make sure we don't during the UK's long summer drought.

He said management would be "open-minded" about making changes to its ooo-core businesses and exploring ways to improve overall efficiency.

He hopes to reveal some of the findings of the review which will look at businesses including Yorkshire Eovironmental Services, various overseas ventures and its property interests - at the group's annual meeting in July.

The objective of the review is primarily to ensure aome clarity of purpose for Yorkshire Water and to make sure that whatever we do is done in a logical framework," he said.

The 58-year-old Mr Gough, former chairman of accountants Coopers & Lybrand, has arrived at Yorkshire at a difficult time for the company.

A report on its handling of last year's water shortage crisis, for which it has already been criticised, is to be published on May 17. Soon after, Ofwat, the industry regulator, is to produce a separate report on the company's compliance

Mr Gough said he realised that the year ahead could be a challenging one. "It is going to take us a while to earn back the trust of the customers. They had a bit of a sbock last year," he said. "The company had a run of bad luck with the water supply situation. Quite honestly, everybody's very

have a repetition."

Mr Kevin Bood, the new chief executive, last week announced a £70m emergency package to combat water short-ages and extended a hosepipe ban to Yorkshire's 4.5m customers. He also announced a separate review of the core

With a new oon-executive chairman, chief executive and finance director, the board "as a whole is very ambitious to wipe the slate clean," said Mr Gough. "It'a very difficult to run a business well if your customers are not onside."

Because Yorkshire is in a closed period before the publi-cation of its results, he would not be drawn on whether that efficiency would include a share buy-back or special dividend next month. Part of his "mission" would be to find out

what customers wanted. Whatever the criticisms, he believed the private sector was best able to manage the problems of water supply. An additional £170m to secure the water supply announced last November would not have been possible if the company had still been in public hands.

Yorkshire head | Loyalty engenders just desserts

Christopher Brown-Humes on Sainsbury's fight to regain top slot

or a company used to supremacy in the UK supermarket sector. J Sainsbury will have the highly sobering experience of reporting its first fall in underlying profits for 22 years when it presents for Wednesday. sents full-year figures on

The performance will not surprise the market, which has been forecasting pre-tax profits of £760m-£765m, after £809m in 1994-95, since the group issued a profit warning in January. But it will raise anew the question of what has gone awry and how the group is going to fight its way back to pre-emi-Evidence that Sainshury has

lost its way is contained in figures showing it achieved lower like-for-like sales growth than its rivals and has lost market share. Figures from AGB, the market consultants, showed Sainsbury's share of the British grocery market slipped from 21.7 per cent to 21.3 per cent during last year, while Tesco surged from 20.7 per cent

to 22.4 per cent and both Asda and Argyll's Safeway recorded

Part of the problem is that the group has not effectively countered the bigh-profile marketing initiatives of its

Most glaringly, it has been caught off-guard by the loyalty card successes of Tesco and Safeway, and has so far failed to launch a variant of its own. But its competitors also seem to have gained a reputation for innovation and dynamism that Sainshury lacks. Tesco and Safeway bave both flaunted customer service initiatives, whether it be cutting check-out queues or introducing selfscanning and creches. The result is that Sainsbury has been losing some of its core family shoppers.

The perception of group management has not assisted the Sainsbury cause. It comes with a reputation for cultural resistance to change and even arrogance based on past sucunderestimating the extent to which Tesco, Asda and Safeway have repositioned themselves to step up their competi-tive challenge. "The Sainsbury board has

always found it very difficult to acknowledge their own weaknesses," says Mr Paul Smiddy, food analyst with Credit Lyonnais Laing. The clearest sign of investor

disillusion is that Sainsbury shares have underperformed the market by 29 per ceot during the past year.

But there is an argument that the group is a victim of its own auccess. In terms of sales per square foot, for instance, it still achieves more than £20, compared with Tesco's £18.36. Its operating profit margin is believed to bave been maintained at 8.1 per cent in the second half of the year, against 5.73 per cent at Tesco.

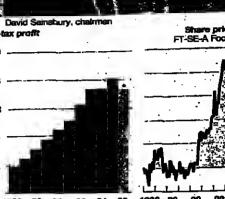
It also has highly effective delivery systems, and an executive of a rival company concedes: "It's still the best brand

The group is moving to address its problems. Manage-ment was reshuffled in January, although many felt the mova misfired because Mr Dino Adriano, who will play a central role in the fightback, is oot due to take over as head of the UK supermarkets husiness until late oext year.

The group has also launched a aeries of price promotioo campaigns since January which it says has helped it regain some market share.

But analysts say unequivocally that more needs to be dooe. They maintain that Sainsbury will evectually have to launch its own loyalty card. albeit with a different concept to current variants. This will a top priority for Mr Kevin McCarten, the oew marketing supremo.

Specifics may oot be forthcoming on Wednesday, but the city will be disappointed if it does not get at least some clues as to the way the company intends to meet tha competi-



BET battle prompts Panel review call |Scholl appoints key

By Geoff Dyer

The Takeover Panel is under pressure to launch a formal review of the rules surrounding exempt marketmakers as a result of the Rentokil-BET bat-

A number of institutional investors have complained to the Panel that the rules are open to abuse by marketmakers connected to one of the parties in a bid. The controversy was days ago hy BET's advisers that SBC Warburg, one of Reotokil'a brokers, had breached the Takeover Code. BET, acquired by rival husi-

prompted after the Panel

turned down a complaint 10

ness services group Rentokil last week for £2.1bn, had complained about the sale of 2.8 per cent of its shares on April 23 by the marketmaking arm of SBC Warburg. Salomon Brothers bought

the 27m shares and sold 24m

almost simultaneously through ABN Amro Hoare Govett, another Rentokil broker, to an associate company of the bid-

BET argued that this broke Rule 38 of the code, which forbids a marketmaker connected with the target or bidder from making any dealings which might help its client's

The Panel rejected BET'a request that the shares be blocked from counting towards

acceptances of the Rentokil offer. However, one industry analyst described the share trading as "only just within the code".

City experts say that there are about 10 marketmakers which often run extremely large positions in a target company during a takeover battle. "In those circumstances you have to be very careful that those positions are not being

run for the benefit of one of the

marketing man By David Blackwell the brand had become some-

Scholl, the UK foot and healthcare products group that last October fought off an attempt by rebel shareholders to replace three non-executive directors, is expected to appoint a marketing director

He is Mr Trevor Bell, who has spent the last year as marketing director at Facia, the retail group assembled by entrepreneur Mr Stephen Hinchliffe from some of the UK's best-known brand names. Mr Bell's brief is to take firm control of Schoil's brand worldwide, including responsibility for all new product develop-

His appointment is one of the final stages of the strategic review initiated 18 months ago when the board decided that tha strength and direction of

what dissipated. One of his first tasks will be to appoint an international

. Source: FT Extel

marketing head for footwear, and another for footcare. He will also be key to driving forward the relaunch of the brand, which is under way. Operating profits for 1995 were 23 per cent ahead at £18.2m (£14.8m) on a 10 per ceot increase in sales to £207.2m. Mr Colin Brown, who

took over as chief executive

last September, said the out-

come showed measures put in place to restructure the business were bearing fruit.

Mr Bell said he had completed his task of setting up a marketing structure at Facia, and his position would not be refilled. He had been attracted to Scholl by the international nature of its business - about

three-quarters is overseas.

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Titulización de Activos SGFT, S.A.

SPANISH NUCLEAR MORATORIUM

FONDO DE TITULIZACIÓN DE ACTIVOS RESULTANTES DE LA MORATORIA NUCLEAR

AUCTION ANNOUNCEMENT

Under the provisions of article 10.2 of Royal Decree 2202/1995 of December 28, Titulización de Activos, Sociedad Gestora de Fondos de Titulización S.A. (the "Management Company"), in its capacity as the Management Company of the Fondo de Titulización de Activos Resultantes de la Moratoria Nuclear which was created under the public instrument executed before the Notary Public of Machid Mr. Antonio Fernández Golfio on Monday, April 29, 1996 (the "Fund"), hereby announces that an anction for the selection of the providers of financing to the Fund will be held in accordance with the Auction Conditions deposited at the Registration Office, as stated in section 6 below. Without prejudice to the application of the Auction Conditions in their entirety, a summary of said Conditions is set out below:

1. SUBJECT OF THE AUCTION

The subject of the Auction will be the following liabilities of the Fund, the Auction being divided into three independent Tranches (hereinafter "the Tranches of the Auction"):

8,600 Securitization Bonds of 25,000,000 pessus each, constituting Tranche I of the Auction (hereinafter "Tranche I of he Auction"1 for a total amount of 215,000,000,000 pesetus. lication will be made for the admission to trading of the nds on the Mercado AIAF de Renta Fija.

- Participations in Loan A, having a total principal amount of 322,000,000,000 pesetas constituting Tranche 2 of the Auction (hereinafter "Tranche 2 of the Auction").

Participations in Loan B having a total principal amount of 178,000,000,000 pescas constituting Tranche 3 of the Auction thereinafter "Tranche 3 of the Auction").

The Management Company may, until Tuesday, June 11, 1996, increase or reduce the final total amount of Loan B, in an amount of up to 5%. If that amount is changed, the Management Company will make the precise final amount public by publishing an announcement in two newspapers of nationwide circulation and two financial newspapers of international

2. AUCTION DOCUMENTS

The documents relevant to the auction thereinafter "the Auction Documents") are the following: the Auction Conditions and this summary, the Prospectus of the Fund approved by the Comisión Nacional del Mercado de Valores, a transcription of the stipulations of the Deed of "Constitution of the Asset Securitization Fund Resulting from the Nuclear Moratorium, Assignment of Fractions of the Right to Compensation and Issuance of Securitization Bonds", a photocopy of the draft Contracts for Louis A and B, the Bidding Forms as defined in Contracts for Louis A and B, the Bidding Forms as defined in Condition 7.5, and the envelope in accordance with Condition 7.3. The Auction Documents will be made available to the Qualified Institutions (as defined in Condition 5 below) in the Registration Office at the time they file the application for their recording on the Auction Register, as described in Condition 6.

3. DATE OF THE AUCTION

The Auction will be held on Thursday, June 20, 1996 ("Auction Date"), from 10:00.

4. PLACE OF THE AUCTION

The Auction will be held at the Direction General del Tesero y Politica Financiera of the Ministry of Economy and Finance. Paseo del Prado 6, 5th floor, 28014 Madrid.

5. QUALIFIED INSTITUTIONS TO TAKE PART IN THE AUCTION

The following institutions thereinafter "the Qualified Institutions") will be qualified to take part in the Auction and may file Bids (hereinafter "the Bids") in any of the Tranches of the Auction: credit institutions as defined in the Second Directive on Banking Coordination (89/646/EEC), investment companies authorized to provide underwriting services in securities is established in the Directive on Investment Services in the field of negotiable securities 193/22/EEC) and other institutional investors (such as Pension Funds, Mutual Funds, Insurance Companies, etc.), as defined in Royal Decree 391/1992 of March

27. Qualified institutions must be residents in or authorized to operate in any European Union member state and they must become registered as set out in Condition 6.

6. REGISTRATION OF QUALIFIED INSTITUTIONS

6.1. From 11:00 on Monday. May 13, 1996 until 14:00 on Wednesday. June 12, 1996, (the "Registration Period"), those Qualified Institutions wishing to file Bids in ony of the Tranches of the Auction must submit to the Dirección General del Tesoro y Política Financiera at the Ministry of Economy and Finance (Paseo del Prado 6, 7th floor, 28014 Madrid) (the "Registration Office"), an application in writing the "Registration Application"), which must conform to the draft which shall be resulted to a proper propagation in at the Pacific testing Office. Application 1. which must contour to the orant which shall be available to anyone requesting it at the Registration Office, signed by a Registered Attorney in Fact, (as defined below) with sufficient authorities for the purpose, applying for its registration on the Auction Register, stating:

(i) the application of the Qualified Institution to be entered on the

Auction Register and to enter thereon the attorneys in fact able to Anction Register and to enter thereon the anomeys in fact able to file Bids on its behalf the "Registered Attorneys in Fact"), acting severally or jointly with another Registered Anomey in Fact, (iil its corporate name, till the address of its effective head affice, liv1 the address, telephone number and fax number of the Qualified Institution and the name of the person who represents it for the purpose of notices, who must be a Registered Attorney in Fact, (v) the names of the Registered Attorneys in Fact and the numbers of their National 1.D. Cards, Residence Cards or Passports. In exceptional circumstances, until 14.00 h. on Wednesday, June 19. 1996, the Registered Attorneys in Fact may be replaced by other automeys in fact who will thenceforth be considered Registered Attorneys in Fact, after giving their names and the other particulars referred to in this section (v).

6.2. The following must be attached to the Registration Application:(i) a certified copy of the public deed or deeds or documents endorsed by a Public Notary or administrative authority with similar duties, duly legalized, as appropriate, by the Apostille of the Convention of The Hague of 1961 or equivalent procedure, evidencing the entity's status as a Qualified Institution and the anthority of the Registered Attorneys in Fact, Iii) an original document evidencing the payment into account No. 0001800301 open in the Fund's name at the Instituto de Crédito Oficial of the amount of one hundred thousand (100,000) pesetas. The amounts received for this item will be revenue of the Fund and the Qualified Institutions will not

6.3. The Registration Application must be filed on business days between II:00 and 14:00.

6.4. On receipt of the Registration Application and after verifying the attached documents, the officer at the Registration Office will enter the respective Qualified Institution on the Anction Register, awarding to it a registration number, by order of registration and notifying its Registration to it by fax. If the officer at the Registration Office considers that the documentation filed does not conform to the requirements set out in this Condition 6, he will notify the respective Qualified Institution by fax, within two (2) business days after the date of filing, of the defects preventing resistration, so that the respective Qualified Institution may registration, so that the respective Qualified Institution mattempt to remedy such defects within the Registration Period. It should therefore be noted that Registration Application received at the Registration Office during the last two working days of the Registration Period will not be materially apt for remedy, and thus any defect would therefore preclude the applicant entity from being entered on the Auction Register. Furthermore, the Qualified institutions intending to file the documentation required during the Registration Period, should be aware that implementation of the required remedy could imply the adoption by the Qualified Institution of corporate resolutions or the performance of additional formalities.

Bids may only be filed by Qualified Institutions duly registered at the Registration Office. Institutions complying with this requirement will be referred to as "Registered Institutions". The term for fiting Bids will begin at 11:00 on Thursday, June 13, 1996 and will end at 14:00 on Wednesday, June 19, 1996. The Bids must be filed in the Registration Office on business days,

Bids will be filed in accordance with the instructions of Condition 7 of the Auction Conditions, by completing the Bidding Forms which will be placed in the respective envelopes.

8 BIDDING SYSTEM

The Bids filed by Registered Institutions (which institutions will be referred to as the "Bidding Institutions" from the time the Bid is filed) will only be valid if they conform to the stipulations of the Auction Conditions. The main features of the Rids are as

The Bids will be irrevocable and unconditional from the time they are filed.

Rids in acquire Securitization Bonds may be filed individually by

a single Bidding Institution or by a Group of Syndicated Institutions consisting of not more than ten (10) Registered Institutions. The Registered Institutions making up a Group of Syndicated Institutions will be jointly liable for the obligations arising from the Bid, without prejudice to the percentage of participation in the Bid set out therein. No more than one single aid may be filed for this Tranche by each Registered Institution.

A Registered Institution that has made an individual Bid may not form part of a Group of Syndicated Institutions. The same Registered Institution may form part of only one Group of Syndicated Institutions.

Syndicated Institutions.

Bids for Amounts of Participation in Loan A and in Loan B may not be made by Groups of Syndicated Institutions. There is no maximum number of Bids that one single Institution may make for Amounts of Participation in these Tranches.

Bids to subscribe for Securitization Bonds must be made for all of the Securitization Bonds. Bids to subscribe for Amounts of Participations in Loan A and in Loan B must be for a minimum amount of one thousand million (1.000.000.0001 pesetas or higher amounts that are multiples of one thousand million pesetas.

The Bids shall state the Mergin above or below (18.09) in the case. The Bids shall state the Margin above or below LIBOR, in the case of the Bonds, and the Margin above or below MIBOR, in the case of the Louis. in order to determine the rate of interest of the Bonds and of the Louis. Said Margins (stated with three decumals) may not exceed 0.150% or the case of the Bonds, 0.200% in the case of

Luan A and 0.250% in the case of Loan a. The Securitization Bonds will be subscribed for at a subscription price of 100% of their par value, although the Awardee institutions will be entitled to receive on the Disbursement Date n fee of 0.125% of the par value of the Bonds which will be deducted from the principal to be disbursed.

The Awardees of Amounts of Participations in Loan A will receive on the Disbursement Date an initial fee of 0.250% of the Amount of Participation Awarded, which will be deducted from the principal to be disbursed.

The Awardees of Amounts of Participations to Loan B will receive on the Disbutsement Date on initial fee of 0.500% of the Amount of Participation Awarded, which will be deducted from the principal to be disbursed

9. HOLDING OF THE AUCTION

The Auction will be held in accordance with the rules set out in Condition 9 of the Auction Conditions. The adjudication will be made considering, exclusively, the offered Margins, applying the adjudication rules contained in

10. NOTARIZED CERTIFICATE OF AWARDES OF SECURITIZATION BONDS AND SIGNING OF PUBLIC

After the Auction has been beld, the following must appear before a Notary Public:

The Awardee Institutions of Tranche 1 of the Auction, to

execute the Certificate of Awardees of the Bonds; and

The Awardee Institutions of Tranches 2 and 3, to execute the respective Public Deeds of the Loans.

11. DISBURSEMENT AND SIGNING OF CERTIFICATES OF DISBURSEMENT

The Disbursement of the Bonds and of the Loans must conform to the provisions of the Auction Conditions and will be made on Thursday, July 4, 1996. The terms stipulated for the Disburvement are essential and must be complied with strictly by the Awardees. Once the Disbursement has been made, the Management Company will execute the respective Certificates of

12 EXPENSES

The expenses incurred by the Bidding Institutions in the making of the Bids will be for the account of the Bidding Institutions. The expenses of the Auction will be for the account of the Fund. The notary expenses and expenses arising from subscription of the Bonds and execution of the Loan Contracts will be for the account of the Fund. The expenses of remittance and issuance of additional copies of the Notarized Instruments will be for the account of the Awardee Institution requesting them.

13. BUSINESS DAYS

For the purpose of the Auction Conditions, business days will be considered all days that are not public holidays in the Madrid market: Saturdays will not be considered business days.

14. LAW AND JURISDICTION

This Auction and the rights and obligations arising from this Auction Conditions and from the Bids made hereunder, including registrations of Qualified Institutions and the award of Bids, will be governed by Spanish law.

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and the control of th

Madrid, May 7, 1996 TITULIZACIÓN DE ACTIVOS, SGFT, S.A.

BA in franchise agreement with Sun-Air

By Peter Pearse

British Airways is extending its franchise operations beyond the UK via an agreement with Sun-Air, the Danish regional airline.

Financial terms or fees were not disclosed, although BA said turnover of the franchise business had grown from zero to £50m "in little more than two years". The Sun-Air agreement is BA's seventh such arrangement; they are designed to facilitate inter-airline connections, reservations,

and sales and marketing. Sun-Air operates 250 flights a week in Scandinavia, mainly out of Copenhagen, Oslo and Stockholm. In 1995 lt carried 120,000 scheduled passengers.

Under the agreement Sun-Air's 12 aircraft will be repainted in British Airways Express colours and will carry BA flight numbers.

Sheffield Forgemasters £70m capital overhaul

for Iraq's supergun, is raising £70m to overhaul its share structure ahead of a possible stock market flotation. The privately-owned forgings led by NatWest Ventures,

It has also recruited Mr Sheffield Forgemasters, the Stuart Wallis, former chief company which gained notori- executive of Fisons, as its non-

ety for supplying steel tubes executive chairman. NatWest has invested £7.5m to provide an exit for Causeway Development Capital, ooe of the company's original back-The privately-owned forgings and castings manufacturer has about half of the shares held arranged a secondary huy-out hy managers and employees. led by NatWest Ventures, The reorganisation will leave NatWest with a 29 per cent nal 1988 buy-out to realise stake.



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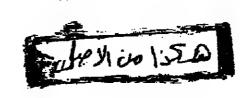
The English version of the 1995 Annual Report, locluding US GAAP reconciliation, will be available upon request from the Head Office of IMI S.p.A.

The dividend for the fiscal year ending 31 December 1995, which will be payable from 20 May 1996, is equal to Lire 500 per share.

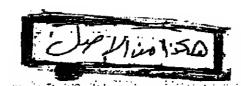
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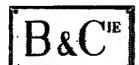
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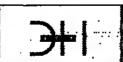


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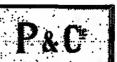
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Ruling backs transsexual



transsexual for reasons related to a sex change was contrary to the principle of equal treatment for men and women enshrined in European law, the European Court of

Justice ruled last week. The case arose out of proceedings brought in an Industrial Tribunal by P. a transsexual, against S and Cornwall County Cooncil,

in April 1992, P informed S of the intention to undergo a sex change, and this began with a "life test" - a period during which P dressed and behaved as a woman.

This was followed by surgery to give P the physical attributes of a woman. In September 1992, after undergoing minor surgical operations, P was given three months' notice. The final surgical operation was performed before the dismissal took effect, but after

P had been given notice.
P argued before the industrial tribunal that she had been a victim of sex discrimination, but S and Cornwall County Council maintained that the reason for the dismissal was that P had been made redundant. Having ruled the true reason for the dismissal was P's proposed gender reassignment, the industrial tribunal found that such a situation was not covered by the UK's Sex Discrimination Act 1975.

However the tribunal was uncertain whether that situation fell within the scope of the Euro-pean directive on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions.

The industrial tribunal therefore referred to the European Court the question as to whether the equal treatment directive pre-cluded dismissal of a transsexual for a reason related to his or her gender reassignment.

The UK government and the European Commission both submitted that such a dismissal did not constitute sex discrimination for the purposes of the directive. The UK pointed out in particular that it appeared that the employer would also have dismissed P if she had previously been a woman and

had undergone an operation to

Having referred to the jurisprudence of the European Court of Human Rights in this field, the court observed that the principle of equal treatment contained in the directive meant that there should be "no discrimination whatsoever on grounds of sex".

The directive was therefore sim-ply the expression, in the relevant field, of the principle of equality, which was one of the fundamental principles of European law.

The court cited previous case in which it had repeatedly held that the right not to be discriminated against on grounds of sex was one of the fundamental human rights the observance of which the court had a duty to ensure. Accordingly the scope of the directive could not be confined simply to discrimination based on the fact that a person is of one or other sex; It also applied to discrimination arising from the gen-der reassignment of the person

The court held that such discrimination was based essentially. if not exclusively, on the sex of the person concerned. Where a person was dismissed on the ground that he or she intended to undergo, or had undergone, gender reassignment, he or she had been treated unfavourably by comparison with persons of the sex to which he or she was deemed to belong before undergoing the relevant procedures.

To tolerate such discrimination would be tantamount to a failure to respect the dignity and freedom to which he or she was entitled, and which the court had a duty to safeguard. Dismissal of such a person was therefore contrary to the directive unless the dismissal could be justified.

There was no suggestion that there were grounds for such a justification, and the court therefore replied to the industrial tribunal that in view of the objective pursued by the equal treatment directive, it precluded dismissal of a transsexual for a reason related to gender reassignment.

C-13/94: P v S ond Cornwall County Council, ECJ FC, April 30

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BRICK COURT CHAMBERS, BRUSSELS

he European Commission has abandoned its original Plans unlikely proposal for a detailed takeover bid directive in to bite general principles. The move comes after 10 years of trying to persuade member states of the benefits of harmonised rules for reducing take-overs in the European Union. Opposition in the UK to the old

EU takeover proposals will have little effect on UK practice, says Robert Rice



accorded companies to operate across the EU by the single market mean it is now misleading to think of the EU as having individual securities markets.

The panel believes that what must be addressed is whether matters are better dealt with at EU level as part of the move to create a more consistent and open market not whether they can be dealt with at the local level.

The issue of legal uncertainty is less straightforward. The concern is that the principles established by the Appeal Court in the 1987 Datafin case - relating to the role of the courts in takeover proceedings and the limited circumstances in which the UK courts will Intervene - may be abandoned or reinterpreted if the takeover directive is

incorporated into UK law. In particular, the concern is that litigation will be encouraged and takeovers delayed or in effect blocked by the intervention of the High Court and the European Court of Justice. The evidence for this fear is that other countries with statutory regimes such as the US and Australia have experienced the problem of tactical litigation.

The panel points out, however, that neither the US nor Australian experience is relevant to the UK. Using litigation as a tactic is rare in the ÚK.

There is also an argument for saying that if tactical litigation were likely to become a feature of the UK takeover scene then it would already have done so. A look at the history of the UK

courts' involvement in takeover battles also leads the panel to believe there is little room for the directive to impact on the UK regime. Concern has been expressed that

once the Takeover Panel becomes a statutory body it will become more prone to judicial review, just like any other statutory body, and the courts will be forced to abandon its hands-off approach. But the Financial Law Panel sees no reason why this should happen.

Tha Takeover Panel's decisions can already be reviewed in will be in appropriate cases, it says. And while tha status of the Takeover Panel may change, its functions will not. The courts are reluctant to interfere and have shown they appreciate the need for speed and certainty of decisions. The courts

would need very good reasons for ahandoning that approach and there do not appear to be any, it

says.
That is particularly true in respect of references of points of law raised by the directive to the European Court for a preliminary ruling, which would become a theoretical possibility once the directive had been incorporated into national

law. Preliminary references can take up to two years and if they were invoked during a takeover battle they could in effect kill any chance of a bid succeeding. Their potential to be used as a tactical defence by a target company is therefore consid-

owevar, the European Court has made clear that national courts enjoy wide discretion in deciding whether to make a reference. In addition, English courts have laid down guidelines which suggest that unless the point of law in issue is very difficult and impor-tant. English judges should decide it themselves. A presumption therefore exists against referring which is unlikely to change with such a broad-brush measure.

There is also case law precedent to the effect that English courts will not make preliminary references if questions are raised in order to struct or delay an almost inevita-

ble adverse judgment.
Delay is clearly a factor that courts can take into consideration when deciding whether to make a reference. A look at past cases shows that in the domestic context they have always regarded delay as highly relevant in takeover litiga-

In the 1990 battle between Plessey and General Electric Co. the court refused Plessey an injunction to prevent GEC making a bid. The court said an injunction would have prevented GEC complying with the Takeover Panel's rules and time-tables, and would have prevented GEC from making any bid at all. The Scottish courts adopted a simi-lar approach in 1986 during the takeover battle for Distillers.

"This is a good indication of the approach of the courts to proceedings that, whatever their merits. would have the effect of being determinative of an issue merely by being allowed to proceed," the panel

The message from the panel is that while the directive will increase the potential threat of frustrating litigation, the UK courts are unlikely to allow that threat to materialise.

On that basis the panel sees no reason why the UK should not embrace the new directive as a useful addition to harmonising corporate activity within the EU.

LEGAL BRIEFS



New link for City firm with Jakarta lawyers

F erbert Smith, the City law firm, has entered into a co-operation agreement with the Jakarta law firm, Prof Dr Mariam Darus Badrulzaram & Partners.

The firms are to co-operate in providing legal support in Indonesia to both international investors and to financial institutions and corporate clients. The arrangement, which will become a formal association in due course, will result in Stefan Ricketts, a Herbert Smith lawyer, being based as a consultant in Prof Darus' Jakarta office.

Prof Darus is one of Indonesia's leading commercial and banking law firms and the move enables Herbert Smith to expand its husiness in Asia.

The London firm opened an office in Singapore last year which is now staffed by seven lawyers and has a representative office in Shanghat. Mr Edward Walker-Arnott,

Herbert Smith's senior partner said: "Indonesia has one of the fastest-growing economies in the world and offers unrivalled opportunities for international lawyers in capital markets, projects and privatisations."

Group expands ewey Ballantine, the US law firm, is increasing the

size of its London office to expand its international capital markets and project finance practices. The move, which will be achieved

by hiring additional English solicitors and adding US lawyers to its Loudon staff, signals the end of its relationship with City firm Theodore Goddard. The two firms will however

continue to co-operate in those areas where the experience and abilities of both will benefit their clients. The firms' central European joint venture is not affected by the change.

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· A bid must not hinder the con-

duct of a target's business for lon-

By leaving the detail of imple-

mentation to national legislatures

Brussels hopes to win sufficient

support to get the directive adopted by the end of the year.

already been expressed to the Department of Trade and Industry,

which is consulting on the proposal

that the directive might create legal

uncertainty where none has previ-

ously existed and in particular that

it may encourage the use of nui-sance litigation in order to frustrate

The Financial Law Panel, set up

by the Bank of England three years

ago to look at legal uncertainties

was asked by the House of Lords'

sub-committee on the European

Communities to look at the issue,

and to consider if such a directive is

appropriate under the principle of

The panel's general conclusion is

that the directive will have little

practical effect on the conduct of

takeovers in the UK. The proposed

directive emphasises aspects con-sistent with existing UK practice, it

It deals succinctly with subsid-

iarity. The fragmentation of

Europe's financial markets meant

until recently that it was legitimate

to regard takeovers as domestic matters, says the panel. However, the commercial background has

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office in another, and the freedom

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In the UK, however, concern has

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INTERNATIONAL PEOPLE

> New chairman at Aker Group

The uproar at Aker, the Norwegian offshore engineering and cement group, caused by the departure last month of both chairman and chief executive, has been at least partly resolved by the election of Björn Rune Gjelsten as the new chairman.

As representative of Resource Group International, the biggest shareholder, Gjelsten succeeds Gerhard Heiberg, the prominent businessman who quit suddenly on April 19, just two days after forcing the resignation of Tom Ruud as chief executive in a row over Aker's strategy.

RGI, one of the world's biggest fisbing industry power-bouses, is controlled by Kjell Inge Rökke, a young Norwegian entrepreneur who made his fortune in the fishing industry in Seattle in partnership with Gjelsten.

Rökke also retains a place on the Aker board. He and Gjelsten were supporting Heiberg's pressure on Ruud to expand more aggressively in the offshore engineering business but other Norwegian institutional shareholders were more cautious and objected to the removal of Ruud. Now it seems RGI has asserted its authority

as largest shareholder. But, just to compound the issue, Ruud is also a member of the new board because of his position as chairman of Scancem, Aker's big cement interest. His departure as chief executive appears not to be in doubt; the next step will be to appoint a new one. Hugh

Senior changes at JP Morgan



announced senior changes in its European operations, following the appointment of Didier Cheroltel (pictured), currently head of its Paris

office, as head of its private. banking group in Europe. Cherpitel, who will be based in London, will co-ordinate the bank's coverage of private. banking clients in Europe as well as being a member of the

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Europe.

Cherpitel will be succeeded by Jacques Aigrain, a manag ing director in JP Morgan's London-based European advisory group. He takes up the position next month, but will continue to lead the bank's pharmaceutical and healthcare practice in Europe in addition to his role as head of the Paris

office. JP Morgan has built up an enviable reputation as an advisor to pharmacenticals companies and recently advised Ciba Geigy on its merger with

To strengthen further its expertise in this sector, JP Morgan is moving Stephen Schaible from New York to London to become head of the chemical and pharmaceutical advisory team. He takes up the position in June and will report to Klaus Diederichs and Rod Peacock co-heads of the bank's European advisory group. Antonia Sharpe

Wright move at **Jefferson Smurfit**

Jefferson Smurfit's decision to promote Paddy Wright to president and chief operating officer shows the Irisb paper and packaging group bas beeded institutional sbarebolders' requests to appoint more non-family members to top posts.

The 55-year old Dubliner, previously chief executive of the group's Irsland and UK operations, is taking up a post that has been vacant since the departure of Howard Kilroy almost exactly a year ago. Since then shareholders have looked to Michael Smurfit, the chairman and chief executive, to share more of the responsibility for running the group and to adopt a board structure more in line with the Cadbury committee's recommendations

on corporate governance.
Wright will take on the day-to-day task of managing Smurfit's four divisions, Alongside Ray Curran, finance director, he will act as a counterpoint to the strategy-oriented

role played by Smurfit.
Paddy Wright says Smurfit's main challenge is to manage the transition of an industry that is moving from an emphasis on quality to an emphasis on cost-cutting and consolidation. In this respect, he will play an important role in pursuing acquisitions in the industry, particularly in Europe. Wright, a former president of the Confederation of Irish

group in Industry, joined Smurfit in 1976. Patrick Harverson

ON THE MOVE

Catherine Walter, who is a director of the National Australia Bank, joins the board of the AUSTRALIAN STOCK EXCHANGE. Gerard Bradley, former under treasurer of Queensland Treasury, also joins the exchange, working on

strategic issues. ■ Glenn Hazard is appointed president and chief operating officer of FTP SOFTWARE, the US supplier of Internet software. Hazard was previously senior vice president and chief information officer at Legent Corporation.

■ Rolf Eckrodt, formerly president of Mercedes-Benz do Brasil, joins the executive board of ABB DAIMLER-BENZ TRANSPORTATION (Adtranz). the rail systems joint venture founded with ABB, as deputy chief executive officer. He relaces Axel Gattung wbo resigned in March. Ben van Schaik, chairman of the board of management of the Nether-lands aircraft manufacturer Fokker, succeeds Eckrodt.

Claus Hendricks, a board member at Tbyssen Stahl, together with Hansgeorg Hof-mann, (Dresdner Bank board member), Klaus-Juergen Schmieder, a deputy board member at Hoecbst, and Hubert Lienhard, a board member at ABB Mannheim, have all been appointed to the supervisory board of SGL CAR-BON. Leaving are Klaus Dietz, management chairman at Hoechst Veterinaer, Hellmnt Pischmeister of the Max Planck Institute; Justus Mische, board member at Hoechst; and Christoph von Schwarzkoppen from the legal

department at Hoechst. Eric Resnick, 39, becomes director of business and product development at OATAS-TREAM, the global financial information group. He was previonsly general manager, North America.

Jean-Pierre Aubert, former chairman of Union Europeenne de CIC, is appointed chairman of BNP's subsidiary BANQUE DE LA CITE. He replaces Jean-Pierre Dreyer.

Ryokichi Kunngi replaces Shugo Matsuo as president of SONY MUSIC ENTERTAIN-MENT (Japan): Matsuo becomes chairman. ■ Robert Gemmell is appointed

as president and chief executive of SALOMON BROTHERS CANADA. Robert Korthals and Poul Hansen join the board of SUN-

COR, one of Western Canada's

thals was previously president of Toronto Dominion Bank Hansen is chairman and general manager of Sperling Hansen Associates.

■ William Zuendt, president of Wells Fareo, becomes the Fed. eral Bank of San Francisco's appointee to the FEDERAL ADVISORY COUNCIL in Washington DC. He succeeds William Siart and Edward Carson of First Interstate Bancor-

Patrick Gavin, 47, becomes chief executive officer of AERO INTERNATIONAL (Regional), a joint venture between Aerospatiale of France, British Aerospace and Alenia of Italy. He succeeds Henri-Paul Puel, 55, who was responsible for establishing it; Puel assumes new responsibilities within Aerospatiale.

Richard Bohnet becomes president and chief executive of WEITEK, the US software company. He replaces David Gellatly, who resumes his role as an independent member of the board. Bohnet was most recently president and chief executive of Acumen Interna-

Minoru Murofushi, president of Itochu Corp, bas been appointed to the Asla-Pacific Economic Cooperation (APEC) forum's new business advisory council; also joining APEC are Nobuo Tatelsi, chairman of Omron Corp and Kenzo Nakagawa, president of Showa Plas-

■ Stefano Granati has been appointed general manager of Italian toll road operator AUTOSTRADE.

Alec Brennan becomes an executive director of CSR. He is the executive general man-ager responsible for finance and for CSR's investments in bauxite, alumina, aluminjum

John Morschel, an executive director of Westpac Banking Corporation, joins the board of

John Riley has been elected chairman of the board of COO-PER INDUSTRIES, replacing Robert Cizik, who has retired. Riley continues as president and chief executive officer. ■ Bernard Larrouturou is the

new president of INRIA (the French National Institute for Computer Science and Control. He takes over from Alain Bensoussan, now president of the French space agency (CNES). Larrouturou was director of CERMICS, an educational and research establishment. Jorma Vaajoki has been

appointed the new president two oilsands producers. Korand chief executive of Finnish;

forestry group METSA-SERLA OY. He will replace Timo Poranen who has been appointed senior executive vice president of Metsa-Serla's parent Metsa-

liitto Yhtyma.

Plergiorgio Doninni has been appointed head of institutional equity trading at YORK-TON SECURITIES, a Canadian investment dealer. ■ John Shoemaker has been

appointed by SUN MICROSYS-TEMS as vice president and general manager, enterprise servers and storage group. Mel Friedman has been appointed vice president, worldwide operations.

■ Dun & Bradstreet has appointed two members to its senior management team -William Dwyer, president and principal executive officer of Moody's Investors Service, and Frank Noonan, president and principle executive officer of The Reuben H. Dannelley Corporation.

COGNIZANT CORPORA-TION, the largest of the three publicly traded companies arising from the break-up of Dun & Bradstreet, has appointed three executive vice presidents ~ William Jacobi, Dennis Sisco, and Victoria Fash, tha last serving as the company's chief financial officer.

James Egan, 47, becomes senior vice president and chief financial officer at RIVER-WOOD INTERNATIONAL. He joins from Coopers & Lybrand, where be was a partner and board member.

Paul Rioux bas been appointed president of UNI-VERSAL MEDIA GROUP, Bob Biniaz has been promoted from chief operating officer to chairman, Universal Interactive Stu-dios, part of the Universal New Media Group.

■ Bob Every, currently managing director of Tubemakers of Australia, now part of BHP, joins BHP as group general manager and chief operating officer, international division, BHP Steel

■ Lance Coborn, currently group general manager and chief operating officer international division, BHP Steel, has been appointed to group gen-eral manager and senior vice president finance, BHP Miner-

Peter Grey, a senior public servant in the Department of Foreign Affairs and Trade, has been appointed by Australia's federal government the country's first ambassador for the ASIA-PACIFIC ECONOMIC CO-OPERATION forum, the regional grouping.

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president of the MCGRAW-HILL Companies' Broadcasting Group, replacing Edward Reilly, who has left the com-

■ EDS bas announced its board of directors to follow its separation from General Motors: James Raker, secretary of state in the Bush administration; Dick Cheney, defence secretary in the Bush administration; Ray Groves, former chairman and chief executive of Ernst and Young; Ray Hunt, chairman and chief executive of Hunt Oll: Robert Kidder. chairman and chief executive of Borden; Franklin Raines, vice-chairman of Fannie Mae; Judith Rodin, president of Pennsylvania University; Enrique Sosa, executive vice-president of Amoco; Lester Alberthal, chairman, president and chief executive of EDS; and EDS senior vice presidents Gary Fernandes and Jeff

Steven West, president of Electronic Data Systems' (EDS) Infotainment business units bas been appointed to the board of CISCO SYSTEMS, the global supplier of internet working solutions for corpo rate intranets and the global internet.

Leonard Forman, 50, has been named by THE NEW YORK TIMES Company as senior vice president responsible for corporate development, new ventures and electronic businesses. He has worked as a media consultant after serving as president and chief executive of a Nynex/Newsday joint

C J Silas becomes chairman of the board of COMSAT, the US satellite operator, succeed ing Melvin Laird, who retires in May. Silas retired from Phillips Petroleum Corporation in 1994 as chairman and chief executive. In 1996, he became chairman of Ascent Entertainment Group.

Remy Kremer, who has been on the board since April 1979, has been appointed chairman of the LUXEMBOURG STOCK EXCHANGE, taking over from Edmond Israel, Kremer retired from the Banque Générale dr Luxembourg in 1994.

International appointments

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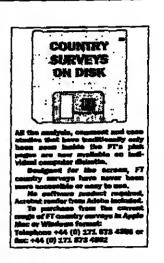
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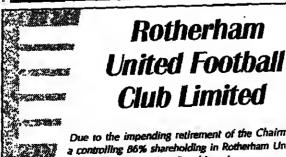
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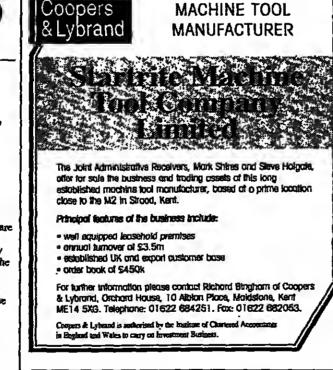


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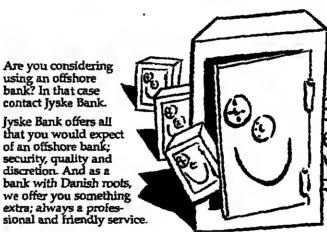
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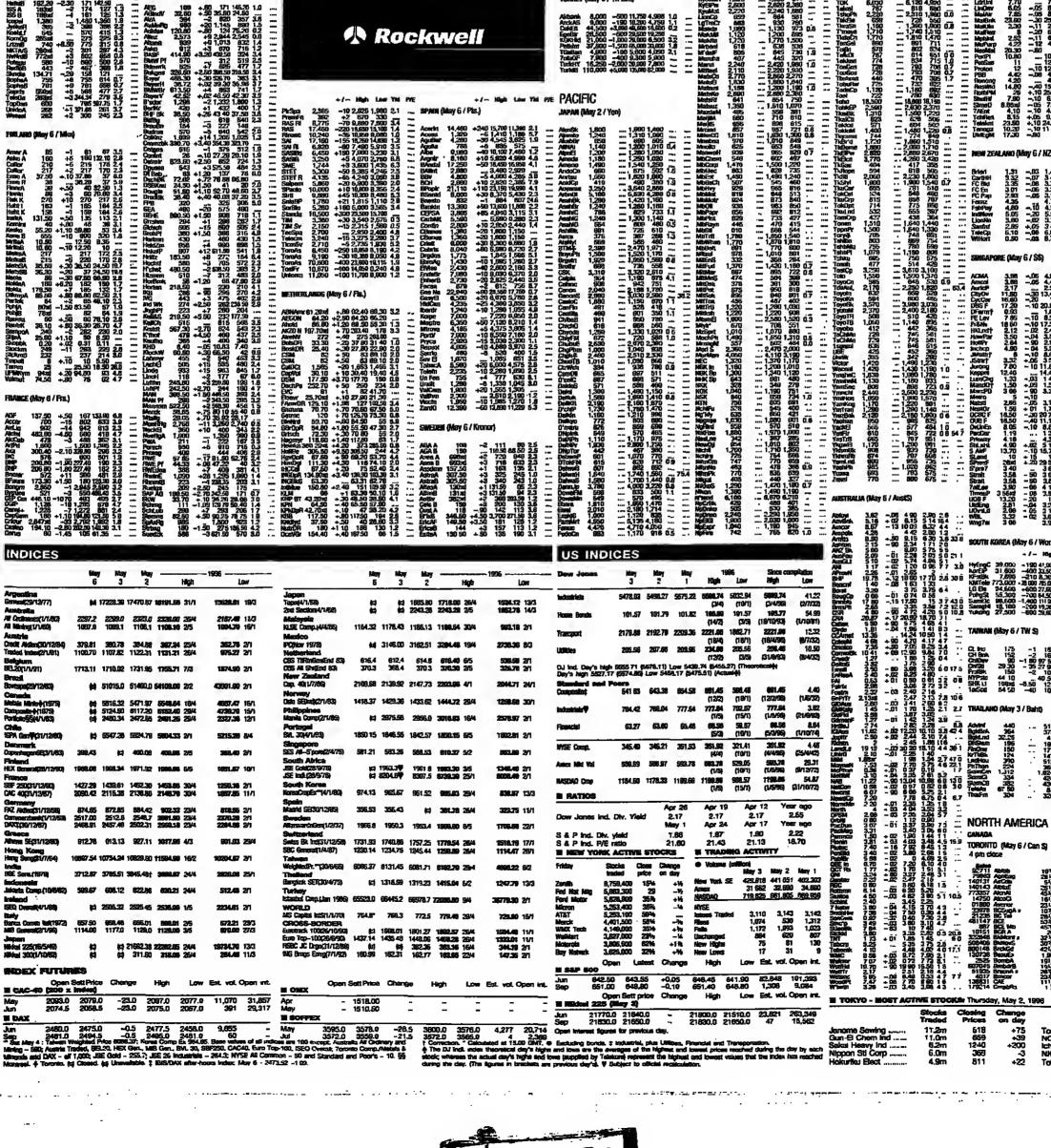
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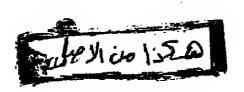
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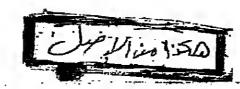
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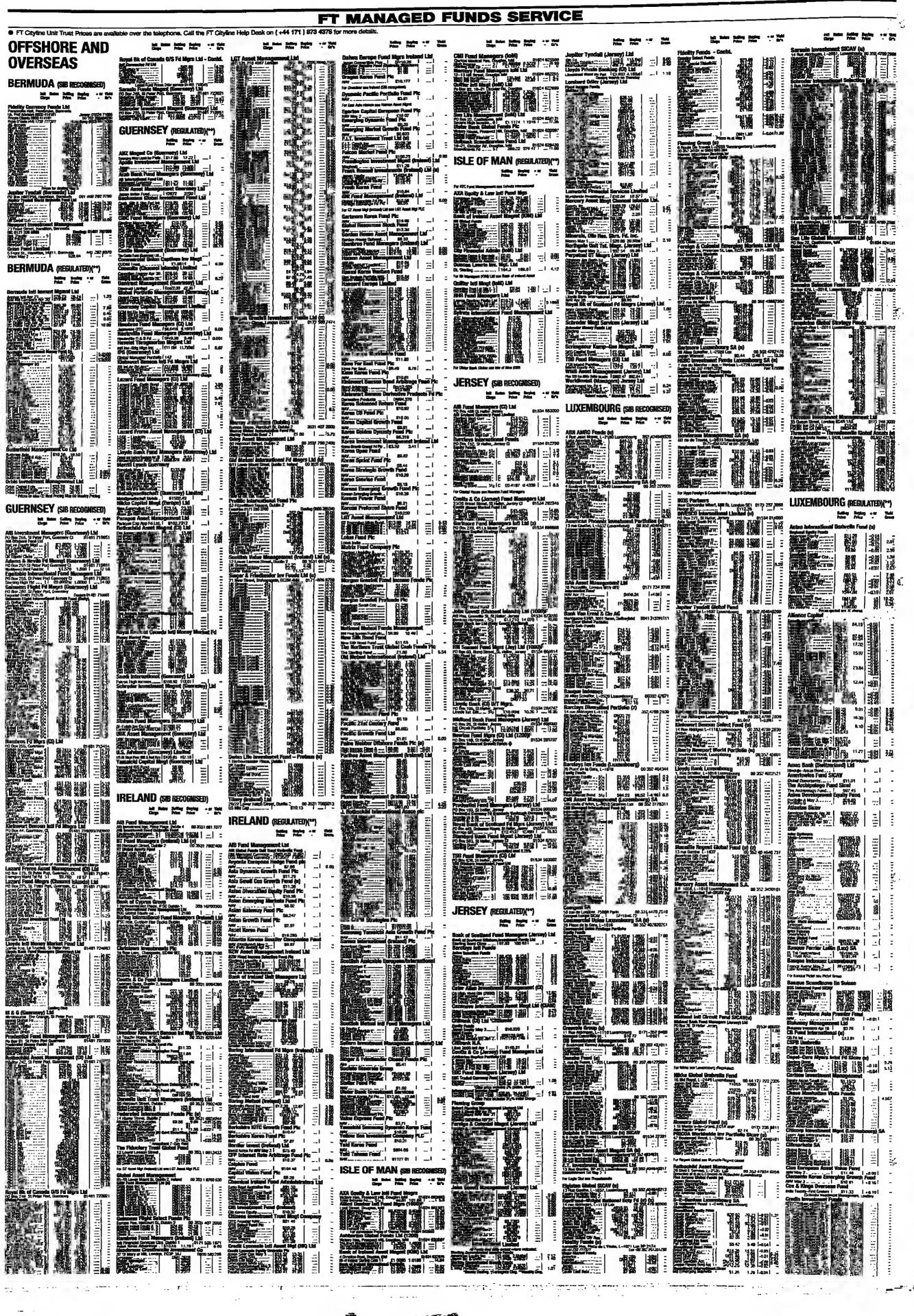


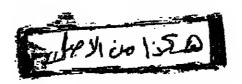
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poce tion	Greece (Dr) 365.763 +0.48 591 - 936 23029 2.2958 2.2948 2.5 2.2944 2.7 2.234 2.9 109.4 Germany (DN) 1.5266 -0.0007 262 - 269 1.5272 1.5230 1.5241 2.0 1.5183 2.2 1.4901 2.4 107.7 Instant (E) 0.9654 -0.0005 645 - 663 1.9983 1.9984 1.0044 1.00	Germany 31 34 35 35 35 4.50 2.50 3.30 week ago 34 35 51 54 54 5 8.25 week ago 51 51 43 51 54 8.25
the the	Lipsembourg (Fi) 47.2815 -1.85 650 - 926 2362.63 2346.50 2356.13 -4.2 2371.23 -4.0 2423.63 -3.2 76.6 thely (1) 1568.50 -5.25 900 - 900 1567.25 1557.75 1564.55 -4.7 1576.1 -4.5 1617 -3.6 75.0 Neitherlands (Fi) 2.5682 +0.0525 670 - 683 2.5768 2.5816 3.0 2.5862 3.0 2.49 3.0 107.2 Neitherlands (Fi) 1.7047 -0.0011 044 - 050 1.7076 1.7004 1.7014 2.4 1.6943 2.5 1.6625 2.5 106.7	Section Sect
stac its	Portugal (Es) 236,475 +0.417 337 -913 236,796 236,320 238,9 -2.2 27,205 -2.2 - 94.6 Portugal (Es) 191,778 +0.149 651 -904 192,117 191,829 192,088 -1.5 192,585 -1.7 194,238 -1.3 81.4 Spath (SN) 10.3035 +0.0408 839 - 131 10.3199 10.289 192,088 -1.5 193,004 -0.1 10.3095 0.0 83.3 Spath (SN) 127,300 -0.24 250 -350 127,410 127,100 127,55 -2.4 127,65 -2.4 127,65 -1.7 194,238 -1.7 194,238 -1.3 10.3199 10.289 10.3007 -0.1 10.3095 0.0 83.3 Spaths (SN) 127,300 -0.24 250 -350 127,410 127,100 127,55 -2.4 127,65 -2.4 127,65 -1.7 194,238 -1.7 194,238 -1.3 10.3199 10.289 10.3007 -0.1 10.3095 0.0 83.3 Spaths (SN) 127,300 -0.24 250 -350 127,410 127,100 127,55 -2.4 127,65 -2.4 127,65 -1.7 10.3199 10.289 10.3007 -0.1 10.3095 0.0 83.3 Spaths (SN) 127,300 -0.24 250 -350 127,410 127,100 127,55 -2.4 127,65 -2.4 127,65 -1.7 10.3199 10.289 10.3007 -0.1 10.3095 0.0 83.3 Spaths (SN) 127,300 -0.24 250 -350 127,410 127,100 127,55 -2.4 127,55 -2.4 127,55 -1.7 10.3199 10.289 10.3007 -0.1 10.3095 0.0 83.3 Spaths (SN) 127,300 -0.24 250 -350 127,410 127,400 127,55 -2.4	Sweltzerland 214 1% 1% 18 18 5.00 1.50 - week ago 12 1% 1% 1% 1% 5.00 1.50 - US 5% 5% 5½ 5% 62 - 6.00 -
Pro-	UK (0) 1.8768 1.8691 1.8698 4.0 1.857 4.1 1.7963 4.1 112.1 Switzerland (SF) 1.2453 +0.0023 449 - 456 1.2460 1.2399 1.2416 3.4 1.2343 3.5 1.2008 3.5 111.5 Etc 1.2251 +0.0036 245 - 256 1.2262 1.2277 1.2238 1.3 1.2208 1.4 1.2075 1.4 - Ec 1.2298 -0.0003 295 - 300 1.2333 1.2295 1.2306 -0.7 1.2322 -0.8 1.241 -0.9	week ago 5% 5% 5% 5% 5% 5% - 5.00 - Japan
be and aler	Argentine (Peac) 1.5004 +0.004 996 - 012 1.5094 1.4995	## \$ LIBOR FT Lendon **starthank Floring
Sickreit	USA (%) 1.5905 +0.004 061 -089 11.3469 11.2751 Maddoo (New Peec) 7.5285 +0.053 260 - 210 7.5250 7.5250 7.52 -25.7 7.675 -18.4 6.8385 -28.0 - 97.1 Pacific/Middle East/Aricia (%) 1.5905 +0.004 061 -089 1.5000 1.5000 1.5000 1.5046 0.5 1.504 0.5	Week ago - 5.14 5.15 5.25 5.55 - - - ECU Linkad Da - 43 4½ 4¼ 4½ - - - Week ago - 43 4½ 4½ - - - SDR Linkad Da - 3½ 3½ 3½ 3½ - -
120 mm	Hong Kong (HKS) 11.6539 +0.0305 504 - 574 11.6508 11.6500 11.6458 0.8 11.8342 0.7 11.6144 0.3 - Hong Kong (HKS) 7.7358 -0.000 255 - 360 7.7350 7.7350 7.7350 -0.1 7.7353 -0.1 7.7353 -0.4 - India (Rt) 51.9743 +0.0628 345 - 141 52.2940 51.7200 India (Rt) 34.5000 -0.05 600 - 500 34.5700 34.550 34.55 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.500 -0.05 600 - 500 34.5700 34.550 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.500 -0.05 600 - 500 34.5700 34.550 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.500 -0.05 600 - 500 34.5700 34.550 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.500 -0.05 600 - 500 34.5700 34.550 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.5700 -0.05 600 - 500 34.5700 34.550 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.5700 -0.05 600 - 500 34.5700 34.550 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.5700 -0.05 600 - 500 34.5700 34.550 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.5700 -0.05 600 - 500 34.5700 34.550 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.5700 -0.05 600 - 500 34.5700 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.5700 -0.05 600 - 500 34.5700 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.5700 -0.05 600 - 500 34.5700 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.5700 -0.05 600 - 500 34.5700 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.5700 -0.05 600 - 500 34.5700 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.5700 -0.05 600 - 500 34.5700 34.550 - 5.2 34.955 - 5.3 38.425 - 5.8 - India (Rt) 34.5700 -0.05 600 - 500 34.5700	SDR Linksed De _ 3\(\frac{1}{2}\) 3\(\frac{1}\) 3\(\frac{1}\) 3\(\frac{1}{2}\) 3\(\frac{1}{2}\) 3\(\frac{1}{
1000 2 - 1100 pg	Misteysia (NS) 3.7588 +0.0118 570 - 605 3.7650 3.7650 5.5 150,066 5.6 148,251 5.5 140.1 Japon (Y) 103,00 +0.017 7/6 830 105,250 104,855 13 183,456 5.1 193,715 4.9 140,4	Mid rese are shown for the domestic Money Rates, 195 CDs, ECU 8 50R Linked Deposits (Ind. EURO CURRENCY INTEREST RATES Nay 3 Short 7 days One Three Six One term notice month months months year
- 10 mg	Singapore (SS) 2.1147 +0.0071 134 - 160 2.1193 2.1130 Singapore (SS) 1.4037 +0.001 032 - 042 1.4045 1.4030 1.4002 3.0 1.3942 2.7 1.3687 2.5 - South Africa (F) 6.6387 +0.0064 268 - 454 6.6462 6.5812 South Africa (Won) 1172.43 +3.11 206 - 282 1175.08 1171.43 South Korea (Won) 778.250 - 200 - 300 778.200 778.200 778.200	
Figure 5	Talwan (TS) 40.9294 +0.1155 177 - 410 41.0237 40.6181 - Talwan (TS) 27.1695 -690 27.16	French Franc 312 - 313 54 - 363 54 - 344 355 - 313 345 - 313 445 - 313 Perhapuses Eac. 715 - 715 72 - 715 73 -
- 10 10 10 10 10 10 10 10 10 10 10 10 10	y	Can Doter 44 42 44 42 41 41 44 44 54 64 41 56 52
724 (42 77 (77) 78 (77) 78 (77)	CROSS RATES AND DERIVATIVES EXCHANGE CROSS RATES Sincy 16 alog 10 mines index Hery 16 alog 10 mines index Hery 16 alog 10 mines index Hery 16 alog 10 mines index Alog 16 alog 17 mines index Alog 17 mines index Alog 17 mines index Alog 18 alog 18 mines index Alog 18 a	US Dollar St 51 51 52 53 53 - 52 55 55 - 52 51 51 51 51 1 1 1 1 1 1 1 1 1 1 1 1
2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	Belgium (BFr) 100 16.76 16.44 4.863 2.041 4966 5.431 20.61 500.2 405.7 21.79 3.968 2.115 4.353 5.157 334.0 2.591 Denomerik (DKr) 53.29 10 6.759 2.591 1.088 2647 2.894 11.14 268.6 216.2 11.61 2.115 1.127 2.300 1.699 178.0 1.381 Segional landom: France (FFr) 80.84 11.42 10 2.968 1.242 3021 3.305 12.72 304.3 246.8 13.25 2.414 1.287 2.648 1.938 203.2 1.576 Africa (15) 311.58 -0.5 3126.70 2718.05 2.31 37.82 3553.88 2272.74	THREE MONTH BURNODOLLAR (MM) \$1m points of 100% Open Latest Change High Low Est. vol Open Int.
	Germany (DM) 20.57 3.859 3.390 1 0.420 1021 1.117 4.299 102.9 83.43 4.490 0.816 0.435 0.895 0.956 68.68 0.533 Autominit (P. 2795.85 -1.5 2838.44 2401.90 2.8 29.8 2987.34 2006.51 healand (E) 48.99 9.194 8.053 2.382 1 2433 2.861 10.24 245.1 198.8 10.67 1.944 1.036 2.133 1.562 163.9 1.269 horis Apartics (I.) 199.475 -1.1 2016.06 1838.86 0.70 84.52 183.9 1.264 1.056 0.70 84.52 183.9 1.264 1.056 0.70 84.52 183.9 1.	Jun 94.48 94.48 +0.01 94.49 94.48 74.227 374,716 Bep 94.19 94.21 +0.02 94.22 94.19 120.330 350,833 Dec 93.88 93.90 +0.04 93.90 89.87 226,281 344,102
	Norwey (NO) 47.83 8.976 7.862 2.326 0.978 2.328 1.078 2.598 10 239.3 194.1 10.42 1.898 1.012 2.082 1.525 159.8 1.239 51/12/82 † Partial Lainet prices was companiable for this addition containing the property of the propert	# US TREASURY BELL FRITURES (MM) \$1m per 100% Jun 94.98 94.98 +0.02 94.98 94.97 885 9.848 Sep 94.70 94.70 +0.02 94.70 94.70 137 5.259
	Switzsariand (SF) 25.20 4.729 4.142 1.225 0.514 1252 1.368 5.268 128.1 102.2 5.490 1 0.533 1.097 0.803 84.17 0.653 Red Day's Week Month UK (5) 47.28 8.572 7.771 2.299 0.865 2.348 2.568 9.884 238.5 191.8 10.30 1.876 7 2.058 1.507 157.9 1.225 Coupon Date Price change Yield ago ago upon US (2) 22.97 4.311 3.776 1.117 0.469 114.1 1.248 4.903 114.6 93.20 5.005 0.912 0.489 1 0.732 78.72 0.565 Australia 10.000 02/06 106.7160 -0.940 8.97 6.70 8.96 1.704 0.559 158.9 127.3 6.835 1.245 0.684 1.398 1 104.5 0.813 Australa 10.000 02/06 97.0400 -0.080 6.54 6.36 8.48	Dec - 84.44 +0.01 94.44 - 112 980 All Open Interest ligs. are for previous day
. *:	Septim (1) 29.94 3.619 4.921 1,466 0.611 1487 1,626 6.280 149.8 121.5 6.523 1.188 0.653 1.303 0.554 100. 0.776 Beight 7.000 0.676 101.5800 -0.020 8.78 6.60 0.81 Ecu. 36.60 7.242 6.344 1.877 0.788 1917 2.098 8.069 193.1 156.6 8.408 1.531 0.819 1.680 1.230 128.9 1 Canada 8.750 12/05 105.5800 -0.310 7.91 7.73 7.64 Denich Kroner, French Franc, Monvegien Kroner, and Swedish Kroner per 10; Beight Franc, Yen, Escudo, Librard Passes per 100.	US US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%
	GAT 7.250 04/06 105.3800 +0.080 8.50 8.40 8.82 Germany Bund 6.000 08/08 95.0000 -0.020 8.57 8.41 8.41 helend 8.000 08/08 95.0000 -0.020 8.57 8.47 7.89	Open Lutest Change High Low Est. vol. Open Int. Jun 108-28 107-07 +0-15 107-09 108-24 814,255 356,131 Sep 108-07 108-22 +0-16 106-23 108-07 4,638 31,754 Dec 105-22 108-05 +0-15 108-05 105-22 602 6,953
	Open Sett price Change High Low Est.vol Open Int. By Possed in Many 6 Latest Prev. class FT GASIDE to WORLD CURRENCIES Neitherds 8.000 08/01 0.0000 0.00 3.45 3.23 Neitherlands 8.000 08/05 0.0000 0.000 3.000 08/05 0.0000 0.000 3.000 08/05 0.0000 0.000 3.000 08/05 0.0000 0.000 3.000 08/05 0.0000 0.000 3.000 08/05 0.0000 0.000 3.000 08/05 0.0000 0.000 3.000 08/05 0.0000 0.000 3.000 08/05 0.0000 0.000 3.000 08/05 0.0000 0.000 08/05 0.0000 0.000 08/05 0.0000 0.000 08/05 0.0000 0.000 08/05 0.0000 0.000 08/05 0.0000 0.000 08/05 0.0000 0.000 08/05 0.0000 08/05 0.0000 0.000 08/05 0.0000 08/05 0.0000 08/05 0.0000 08/05 0.0	US INTEREST RATES
1 '	Sep 0.8813 0.8804 -0.0006 0.8813 0.8803 341 3.888 £ spot 1.5070 1.5070 The FT Guide to World Currentees Spein 10,150 01/08 105.3300 -0.130 8.07 8.82 8.18 9.85 5 8.20 1.5051 1.50	Latest Treasury BRs and Bond Yields
	Jun 0.8080 0.8084 -0.0023 0.8080 0.8080 16.210 43.302 8.000 10.08 0-00 - 0.00 6.13 8.20 Sep 0.8137 0.8137 -0.0023 0.8157 0.8137 58 1,879 US Treasury 5.625 02/08 91-10 -5/32 8.86 6.58 6.28 0.20 02/28 86-19 -13/32 7.09 6.83 6.58	Field-handle to Intervention. 54e Six month 55e 5.23 10-year 8.85 7.07
	JAPANESE VEN FUTURIES (MM) Yen 12.5 per Yen 100 UK INTEREST RATES London closing. "New York trial-day Yielder Local mental standard." † Gross firebring withholding bet at 12.5 per cent payable by november of Private Local mental standard. † Gross firebring withholding bet at 12.5 per cent payable by november of Private Local mental standard. LONDON MONEY RATES LONDON MONEY RATES	Spain NOTIONAL SPANISH BOND FUTURES (METF)
	Jun 0.9591 0.9590 +0.0022 0.9604 0.9555 18,596 82,506 May 9 Over 7 days One Three Six One Sept 0.9707 +0.0026 0.9713 0.9680 383 2,780 night notice months months year Disc - 0.9793 - 97 1,848 Interioris Suning 61 - 5 61 - 52 61 - 53 61 - 6	Open Sett price Change High Low Est, vol. Open Int. Jun 97.70 98.22 +0.23 98.25 97.52 40,640 50,565
	Treating Bills	
Ltd.	UK clearing book boso lending rate 6 per cent from March 8, 1996 Austria 13,4383 13,4343 +0,0013 -0,03 1,21 0 Up to 1 1-3 3-5 6-9 8-12 Portugal 195,792 196,583 +0,001 0,30 0,87 -2	JOTTER PAD
	## PHILADELPHIA SE E/S OPTIONS 231,250 (cents per pound) Certs of Tax dep. (£100,000) 2½ 5½ 5 5 4½ Demand: 7,28580 7,36975 +0,00978 1.07 0.11 -7 Certs of Tax dep. (£100,000) 12½ 5½ 5 5 4½ Demand: 7,28580 7,36975 +0,00978 1.07 0.11 -7 Certs of Tax dep. (£100,000) is 2½ pp. (Deposits withdrawn for cent 1½ pp. Iroland: 0,762214 0,801532 -0,000794 1.16 0,00 -8	
	Price Mey Jun Jul May Jun Jul Agr 30, 1996, Agreed with for period May 26, 1996, Schemas IV & V 5.079pc, Finance House Base Page 1,480 2.99 2.73 3.12 0.06 0.50 0.88 0.50 0.88 0.50 from May 1, 1996 1,480 1,48 2.07 2.51 0,19 0.73 1.23 0.50 0.73 1.23 No. 1996, Agreed with for period May 1, 1996 0,500 from May 1, 1996 in Jun 25, 1996, Schemas IV & V 5.079pc, Finance House Base Page Greece 292,867 304,202 +0.031 3.87 -2.59 - 1,480 1,48 2.07 2.51 0,19 0.73 1.23	
	1.510 0.26 1.00 1.49 0.84 1.65 2.16 1.520 0.04 0.64 1.10 1.62 2.28 2.74 Previous day's vol., Calle N/A Pies N/A . Prov. day's open frt.	The solution is HP Computer Systems.
	Total of applications 574/Sm E7705m Are: rate of decount 5.58172% 5.7902% (17/9/92) Senting and Ballen Lieu suspended from EFSM. Adjustment calculated by the Pinzockal Times. Note accepted hid 588.545 (1905) (1906) (190	PACKARD
	BANK RETURN Wednesday increase or BANKING DEPARTMENT May 1, 1995 decrease for week Den Sett price Change High Low Est. vol. Open Int.	CROSSWORD
	Capital 14.553,000	No.9,062 Set by HIGHLANDER
	Assets 5.891,336,837 +151,758,843 Adam 8 Company 6.00 Allied Trust Bank	1 2 3 4 5 6 7 8
	Advance and other accounts 2,327,565,638 +851,793,628 Bank of Barootia	10 11 11
g the set	5.891,336,837 +151,756,643 Bank of India	12 13
Service of the Control of the Contro	Notes in Circustation Notes in Benjuing Department 12,209,016 +835,399 12,209,016 +835,399 20,160,000,000 +330,000,000 20,160,000,000 +330,000,000 Cibberts NA	15 18 17
e e e e e e e e e e e e e e e e e e e	Assets Other Government securities 13,833,838,826 -2,230,009,757 Other Securities 13,833,838,826 -2,230,009,757 Other Securities 20,180,000,000 +330,000,000 13,833,838,826 -2,230,009,757 Other Securities 20,180,000,000 13,833,838,826 -2,230,009,757 Other Government securities 6,00 Credit Lyonneis 6,00 Cyprus Popular Bank 6,00 Cyprus Popular Bank 6,00 Other Bank 6,00 Other Securities 6,00 Oth	18 29 29
	UK GILTS PRICES FIDELITY DISCOVERY FUND	22 22 23 24 25 25 25 26 26 26 26 26 26 26 26 26 26 26 26 26
4	Wh % Asset Interest Last City Interest Interest Last City Interest I	
	235 0.1 1,200 M/16 Self 7.3 1373 Trees 74pc 200004 9613 -15 3,500 Me5 Self 242 2500 255c 73 (73.3) 1764 7.4 1,500 Me20 Me20 Me20 443 1376 R.C. 18 22250 255c 73 (73.3) 1764 7.4 1,500 Me20 Me20 Me20 Me20 Me20 Me20 Me20 Me	
	The Cow 7pc 1987# 1009 -1 1,865 Fed And 20.1 4491 Them 8*2pc 2007 # 1015 -1 9.7 Ant 5 ye 2004 8 15.3 1501 1502 1 1.2 150 Sa28 Ma28 15.3 1501 1502 1 1.2 1502 1	ACROSS DOWN
	Trues 7-pc 1986+1 1009 -3 6.150 Se20 M/70 273 7/70 1986+1 1009 -3 6.150 Se20 M/70 273 7/70 1986 1/40c 2010	1 Order one to keep hose up (6) 4 Indicating period of time in on the rocks (8) 7 middle of night (8) 2 Check about climbing skills
	Trace 9-jun 1988 - 5 1,000 Systamble 292 4945 Trace Rig Ratin 1985 - 993 - 5,700 State Seal 1985 292 4945 Trace Rig Ratin 1985 1992 1127 - 5 3,050 Sadd Mirzs 15.3 1294 Each 124 - 5 3,050 Sadd Mirzs 15.3 1294 Trace Rig Ratin 1986 1992 1127 1127 1127 1127 1127 1127 1127	10 Treading the boards and and time control (9) showing a leg (2,5) 3 New heer put over in vigorous 11 Japanese play with cut of style (4)
gagaga da karan da k Baran da karan da ka	Communion 10 ¹ spx 1999 1083,6 1,799 My22 My22 1822 18-101.2 Trees Signx 2008-121;	12 Spy on navy vessel (4) top (8) 13 Average first-class standard 8 Final demands issued before
	Tous tipe 2001 1011 -9 7,000 Je7 Be7 37,10 496 Times 8pc 2015 - 95 4-23 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1011 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 -2.3 7,550 Fe25 Ad25 15.2 1982 Other Fixed Interest 1012 -9 7,000 Je7 Be7 37,10 496 Times 8pc 201747 1026 Je	explanation (10) 7 I'm afraid 1 omitted to include 15 Bring out legal point first (6) native way of speaking (5) 16 Please include a Scottish val- 8 Carriage drawn by horse with
	From 11 to 2012 11952.7 45 Mpt Nrt 15,101837 Refer to 2012 1195_ Refer to 2013 15,101837 Refer to 2013 1655 Refer to 2013	ley (7) 20 It's used to translate aca- 1 demic works (7) 20 It's used to translate aca- 2 Plant is declared a tree (5) 2 Plant is declared a tree (5) 2 Plant is declared a tree (5) 3 Plant is declared a tree (5)
	Tones Signe 2002 1083 -1.1 6527 Fe27 Me27 1627 1627 1627 1627 1627 1627 1627 16	21 Cop needs a breathing space speaking before everyone to be heard (5) such a change involving 17 Permanently fresh and copyright would create always on the go (9)
	Sign 11-gic 2001-4 1143 - 9 11	heated argument (10) 26 Keen to work effectively in force and left as nightwatch-man? (8)
	Com 0 to per 2005 100 12 -1.7 4,842 0c18 A018 6.4 1247 1250 1251 1251 1252 1252 1253 1254 1255 1255 1255 1255 1255 1255 1255	28 Originally genial, Merlin 19 Motionless insect covered by evolved into mischievous fluttering gnats (8) troublemaker (7) 22 Swing and of rod over fish (6)
	November 4, 1996 per November 4, 1996 per USD 500,000 USD 15,423.39 USD 500,000 USD 15,423.39 Letter be a serving for such three ments personal p	29 Bad temper sets off a serious 23 More than one can sit com- intestinal problem (7) fortably in this express (5) 30 Track follows ear, nose and 25 His last case could have been
	Open Sett price Change High Low Est. vol. Open Int. Open Sett price Change High Low Est. vol. Open int. Jun 98.04 98.06 +0.02 98.07 98.02 86.07 54,561 Open Sett price Change High Low Est. vol. Open int. Jun 98.04 98.06 +0.02 96.06 96.01 3,770 51,483 Jun 90.70 90.90 +0.10 90.90 90.56 110 6.226 DU LUXEMBOURG FRST CHICAGO	throat to the intestines (8) 31 Vegetable growth covers one- third of the earth, for exam- ple (6) about explosive round found in river (5) 27 Aim for the net (4)
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Tech stocks mixed as Dow falls further

Wall Street

US share prices added to last week's declines in midsession trading yesterday, in spite of a modest rebound on the bond market, writes Lisa Bransten in

Shares posted gains in the first 15 minutes of trading, with the Dow Jones Industrial Average rising more than 20 points, but by 9.45am they had reversed course.

By 1 pm the Dow was off 36.49 at 5,441.54, the Standard & Poor's 500 had fallen 3.37 to 638.26 and the American Stock Exchange composite had slipped 1.68 to 588.01. Volume on the New York Stock Exchange came to 217m shares.

Technology shares fell with the broader market, although some Internet companies managed to post gains. The Nasdaq composite lost 5.63 at 1,194.03 and the Pacific Stock Exchange technology index slipped 0.5 per cent, while tha American Stock Exchange/Interactive

Week internet index added 0.3 per cent. The bond market posted modest gains in quiet trading as recent lower prices proved attractive to some investors. but the yield ou tha bench-

mark 30-year Treasury bond

remained above 7 per cent. However, the ontlook remained unclear on both markets, given the conflicting signs about the strength of the economy that has arisen from recent economic data. On Friday the market dropped as the Labor Department'a April employment report showed little job creation but a slight gain in average hourly There were uo important

economic data out yesterday, but tomorrow the Federal

Reserve is to release its "Beige Book" summary of the state of the economy and on Friday the Commerce Department is to put out figures on the producer

In individual shares, Apple Computer gained \$1% or 6 per cent at \$251/4 on confirmation that it would license its Macintosh operating system to IBM, which dipped \$11/2 to \$106%.

Varity, a maker of brake eystems and dlesel engines, ided \$% at \$43% after confirming that it was in discussions with the UK's Lucas Industries about a possible combination of businesses

Shares in commercial banks continued the slide begun amid fears of higher interest rates. Chase Manhattan Bank lost \$1% at \$64%, Citicorp shed \$1% to \$74%, Wells Fargo weakened \$3% to \$231% and BankAmerica feli \$1 to \$70%.

Toronto remained in positive territory in busy midsession trade in spits of Wall Street's retreat, as the heavily weighted gold ehares group rose by 2.2 per cent.

The TSE-300 composite index was 8.1 higher by uoou at

5,132.60 in voluma of 47.7m

Nowsco Well Service rose C\$2.65 to C\$32 after it attracted a "white knight", Great Lakes Chemical, to stave off the attentions of BJ Services. On Sunday, the Indiana-based Great Lakes offered C\$30.90 per share in a friendly deal, while BJ Services offered C\$27 a share in cash and was rejected by Nowsco's board.

Among mostly higher gold issues, Black Swan Gold Mines advanced 14 cents to 79 cents but Bre-X Minerals dropped C\$7.75 to C\$198.35.

Rates rise warning

Growing prospects for a rise in short-term US interest rates in the third quarter of the year could hurt Latin American economies. Bear Stearns

The firm said that although Latin American markets had shrugged off recent rises in long-term interest rates, they might not be able to resist US rate pressure for long.
"It is likely that the first

upwards move in US sbortterm interest rates may have an eveu more dramatic effect ou liquidity flows to emerging markets in general and to Latin American markets in particular than the recent

increases in long-term rates," Bear Stearns added.

CARACAS rose 1.3 per cent in midsession trade, spurred by a sharp rise in the benchmark Electricidad da Caracas ou hopes that the government might soon approve an increase in electricity rates. The Merinvest composite index rose 2.31 to 181.66 as EDC jumped 12.75 bolivars to 352.75 bolivars.

EDC announced on Friday that it had suspended its tradi-tional April stock dividend because of financial difficulties arising mainly from the lack of government approval to

Downbeat mood in S Africa

Johannesburg was broadly lower, depressed by a range of negative factors and sapped of normal volumes by the holiday in London.

Analysts commented that renewed weakness in the battered rand compounded wor-ries about the fate of elections in tronbled KwaZuln-Natal

The overall index fell 62.6 to 6,864.6, industrials lost 77.2 to 8,127.4 amd golds finished 29.6 weaker at 1,933.7.

The failure of Mr Thabo Mbeki, the deputy president, to unveil his policy initiative for growth and development.

FT/S&P ACTUARIES WORLD INDICES

and expected in its final form last Friday, was said to have been another frustration. The Mbeki initiative was expected to have been mildly hullish for

the market.

Blue chips were hard hit by the downbeat mood, with Anglo American dropping R8 to R278.00. Impala Piatinum, a favourite among rand bedge investors in recent weeks, fell R3 to R76 and Iscor, the steel-maker also considered a solid hedge against rand weakness, eased 6 cents to R3.93.

Among the gold stocks, Driefontein retreated R1.50 to R66.50 and Western Deep Lev-els elipped R3 to R217.00.

Turnover slides, Paris pores over media reports

The absence of the London market hit activity. PARIS saw turnover elide to FFr2.9bn, but it pored over its media reports and received some individual action, as the CAC-40 index fell 24.96 or 1.2 per cent to 2,090.42 after the mid-morning downturn on Wall Street. Moulinex dropped FFr8.70, a

full 10 per cent, to FFr78.30 following a gloomy interview with its chairman Mr Pierre Blayau. At the same time bro-ker Cheuvreux de Virieu remained "very negative", esti-mating that the current restructuring of the consumer durables group would cost between FFr500m and FFr1bn.

> 4.4 per cent after weekend reports of a draft debt agreement with Its banks which would give them a 49 per cent stake in the group; however. the equity dilution involved took the shares back to close 5 centimes down at FFr5.65. Crédit Lyonnais took the opposite tack, falling to FFr166.10 on reports that the weekend fire which gutted its Paris headquarters would probably cost more than FFr1bn - then recovering to FFr172, off just 20 centimes, as its lead insurer said the bank had up to

Eurotunnel started better, up

Remy Cointreau rose FFr3.80 to FFr149.30 after the weekly,

drinks group was looking at better prospects for 1996/97. ZURICH saw profit-taking

and weaker domestic bonds. and the SMI index lost 19.6 at 3.591.6. The fall came as Credit Suisse warned that the market was overheating after its record highs of late April.

Mr Josef Scherrer, the CS market etrategist, had a 12month SMI target of 3,700, but be foresaw consolidation in the next few weeks. Scope for further gains seemed to be largely exhausted with an estimated 1996 market p/e ratio of 17.2 and price/cashflow ratio of 10.5, he said.

Some market participants were etill hoping for more mergers or divestments, but if these bopes were not fulfilled there could be heavy profit-tak-ing. Mr Scherrer added that the positive liquidity effect caused by falling money mar-ket and bond yields would ease noticeably in coming months. In pharmaceuticals, Ciba fell SFr15 to SFr1,370, and Sandoz SFr22 to SFr1,286 on the view that their merger plans were unlikely to escape unscathed

Nestlé rose SFr19 to SFr1,417, still supported by last week'e favourable first-quarter report. AMSTERDAM notched

from the EU's four-month anti-

trust investigation.

the AEX index finishing 5.65 better at 559.82. Equities dipped early in the day, suggesting some vulnerability to levels on Wall Street, but strong fundamentals and a lack of sellers combined with a fresh cut in key Dutch money market rates to improve senti

ment later in the day. DSM, the chemicals group, got back on the upgrade after a slip on Friday, the shares clos-ing F13.70 higher at F1177.50. Dealers talked of buy recommendations for the stock, following last week's first-quarter figuree. Financials were in demand, with ABN Amro up a net F12.80 at F191.20.

FRANKFURT saw the Dax index rise 1.09 to 2,473.52, but turnover fell from DM9.3bn to DM5.7bn. There were contrasts In chemicals: Henkel and Merck rose by DM6 to DM609 and DM1.05 to DM56.80, but Hoechst shed another DM6.50 at DM481.50. Mr Andreas Schmidt at BZW

in Frankfurt said that Henkel was still rising on the board'e talk of addressing sharebolder value, but that BZW was sceptical about this, since Henkel had apparently ruled ont asset divestiture, saying that it was perfectly happy with its pres-ent structure. Merck, he said, was showing a technical recov-

In Eastern Europe, Hungarian and Polish shares offered more excitement to emerging markets fans. BUDAPEST attained a second successive high in spite of the holiday in the UK. major market of Hungarian shares; the Bux index finished a further 32.22 ahead at 757.08, and has nearly dou-

hled since late December. Spot share turnover jumped to Ft1.04bn from the Ft969.4m registered on Friday. Further response to Friday's good firstquarter results took Richter, the drugs gronp, forward Ft210 to Ft5,835, and Borsod-chem, in chemicals, rose Ft50 to Ft2,800 on yesterday's first-

WARSAW topped 12,500 for the first time in 20 months. the Wig index climhing 130.7 erv after last week'e weakness

year in 1995. STOCKHOLM rose as speculation mounted ahead of firstquarter figures due tomorrow from Ericsson and Scania. The Affärsvärlden geueral index put on 16.5 at 1966.8. Ericsson gained SKr3 at

SKr144, in line with a rise in New York on Friday. Scania was up SKr2.5 at SKr188.

to 12,570.3. Analysts said the higher turnover, np 40 per cent at 154.7m zlotys, and dominant buying after price fixing signalled that the mar-ket was likely to extend its gains this week. PRAGUE was less ebullient

after its gains last week, both the PX50 and RPIX indices closing unchanged at 543.2 and 1,163 respectively. Among the hig hine chips, a fall of Kcs40 to Kcs3,435 in SPT Telecom was balanced by rises of Kce15 apiece in CEZ, the power ntility, and Komerchi Banka to Kcs3,900 and Kcs2,200; hnt confectioner Cokoladovny saw a sell recom-mendation after higher 1995 profits and fell Kcs125 to

Kcs3,900, having risen 12 per

charges of sexual harassment

which have already resulted in

Pharmacia & Upjohn, which said it planned to invest

SKr700m in a new factory in

Uppsala, north of the Swedish

cent in the past two weeks. Astra picked up SKr3 to SKr305, unperturbed by news on disappointing results; and Hoechst was still eubject to that more executives may be profit-taking after a balcyon suspended at its American subsidiary in connection with

capital, slippad SKr2.5 to Trelleborg, the mining and

three suspensions.

news of a 26 per cent drop in first-quarter profits proving in line with expectations.

HELSINKI was higher as Nokia rose sharply to match its gain on Wall Street last Friday. Nokia put on FM7 at FM180.80, surprising some analysts with such a aharp rise ahead of first-quarter results due on Thursday. The Hex index firmed 17.73 to 1,986.08. Raisio, the food and chemicals group, fell FM6 to FM156 after its profits warning.

OSLO was put out by a disappointing first-half result at the energy and drug group Hafslund Nycomed. Hafslund A fell NKr4 to NKr190; the total index shed 6.36 to 817.94. MILAN was weak, reflecting Wall Street's dip, worries over the forthcoming mini-budget and April's unchanged inflation data, suggesting that the recent fall in inflation was at an end. The Comit index

Italcementi, suspended on Friday ahead of the annouse nent on its 1995 results and its absorption of two affiliates. Cementerie di Sardegna and Cemeuterie Siciliane, was down L249 to L11,226.

declined 1.46 to 657.00.

Written and edited by William Cochrane and Michael Morgan

Election uncertainties leave Bombay 1.9% lower

Uncertainty over the outcome of the country's continuing elections left BOMBAY 1.9 per cent lower as speculators pulled down the prices of pivotal ahares such as Rellance and State Bank of India.

The BSE 30-share index lost 72.64 to close at 3,712.87 as analysts noted that foreign funds would remain cautious until a clear victor emerged in the polls.

They added that speculators were particularly active in

Tokyo, Manila and Bangkok were closed for bolidays

Reliance as tha shares were in a no-delivery period ahead of the company's book closure. This allowed speculators to play the stock without payment or delivery for the uext three weeks.

Reliance and State Bank each retreated Rs13 to Rs246 and Rs268 respectively.

HONG KONG, as in the case of many of the regional mar-kets, tracked Wall Street's downward path seen on Fri-day, leaving the Hang Seng index 36.70 off at 10,697.54, but up from the day's low of 10,649.90. Turnover dwindled to HK\$3.2bn.

Against the trend, HK Tele-com jumped 45 cents to HK\$15.20 and Hutchison put ou 50 cents at HK\$47.50.

Pearl Oriental leapt to the top of the most active list in lats trade, gaining 2.5 cents at HK\$2.05 on turnover of HK\$256m, but brokers were unable to explain the activity.

Among major blue chips. HSBC shed HK\$1 to HK\$112, Hang Seng Bank receded 75 cents to HK\$75.75 and Cheung Kong eased 50 cents to HK\$53. Henderson Land was down 75 cents to HK\$53.25.

KUALA LUMPUR was generally easier as investors reduced their exposure due to renewed fears of a US interest rate rise and persistent rumours of a large Malaysian trade deficit for February.
The composite index fell

14.11 or 1.2 per cent to 1,173.88. as dealers noted that the current high valuations of Malaysian stocks were also limiting was lower than expected at fund buving. 2.77 per cent.

JAKARTA dipped below 600 for the first time since April 10 after active foreign selling of Telkom, the JKSE composite index losing 8.45 or 1,4 per cent at 599.67.

Telkom fell Rp125 to Rp3,525 in active trading, some 7.7m shares changing hands. This followed Telkom's drop in New York on Friday, which brokers ascribed partly to generally weak market sentiment.

Polysindo, a second liner, made strong gains on talk of an impending share issue. Brokers said the company was likely to reach an agreement ou a private placing through foreign houses, and 6.6m shares were traded as the stock climbed Rp125 to Rp1,650. Bank Mashill euded Rp50

higher at Rp2,275 ou reports that a business tycoou was planning to increase his stake in the company.
WELLINGTON, which had

battled high interest rates for several months, closed sharply weaker, the NZSE-40 index slipping 30.24 or 1.4 per cent to 2,109.68 as boud yields continued to rise and investors worried about uncertainties surrounding this year's election. Volume was thin at NZ\$48m

as market leaders fell. Telecom ending the day 6 cents down at NZ\$6.18 and Fletcher Paper losing 5 cents at NZ\$2.93. Carter Holt, buoyant in recent weeks after US analysts decided that the pulp and paper cycle had bottomed, relinquished 7 cents at NZ\$3.32.

INL's 20-cent fall to NZ\$5.05 was linked with weak April pagination data, a decline in the number of newspaper pages published reflecting low advertising volume; and Air New Zealand "A" was 7 cents weaker at NZ\$3.58 as brokers said that the company might need a rights issue after the Ansett acquisition.

TAIPEI saw resistance at the 6,200 level and heavy profittaking in hyper-sensitive finan-cials, the most beavily weighted sector in the index, in spite of news that April'e annual consumer price growth

The drugs group Biota moved forward 20 cents to ward nath, fuelled by rumours that the China Securities Regu-

The weighted index ended down 55.47 at 6,086.37, off a high of 6,201,16. Turnover was active at T\$58.41bu but lower than in recent sessions. In financials, Shin Kong Life

dropped T\$7 to T\$108. Textiles. constructions and chemicals were weak, too, but the electronics sector rose 2.9 per cent on bright second-quarter prospects, Taiwan Semiconductor rose by the daily 7 per cent limit, for the second day, to T\$64.50.

SYDNEY's base metals majors were a bright spot in a sluggish market as metals prices remained firm, CRA rising 17 cents to A\$20.870, although the All Ordinaries index dipped 1.8 to 2,297.2.

A\$3.75 after it said that preliminary clinical trials results of its GG167 flu drug indicated that it was well tolerated and could be effective in the treatment of naturally acquired

SHANGHAI's local currency A shares closed sharply higher on beavy demand for Shanghai Petrochemical amid rumours it plans to issue convertible bonds, while the hard currency B shares were little changed. The A index advanced 23.01 to 698.14 as Shanghai Petro-

chemical surged 20.4 per cent. The B share index edged down SHENZHEN'S A shares staged a strong rebound after

three sessions on the down-

latory Commission would soon outline new measures to crack down on speculation in the commodities futures markets. The index rose 8.02 or 5 per cent to 169,46. The B index inched up 0.03 to 66.06. SINGAPORE was lower on active selling by some fund

managers of blue chip bank and property stocks. The Straits Times Industrial index finished 12.60 down at 2,400.68. Kemayan, a Malaysian OTC

stock seen as a takeover target. was the day's most active issue. It recovered from an intra-day low of S\$2.63 to close at S\$2.75, still down 8 ceuts

from Friday. SEOUL was higher after a day of selective stock picking which took the composite index 9.45 ahead to 974.10. Korea Long-Term Credit Bank rose Won1,400 in late trading to its upper limit of Won25,300 ou rumours that Kyobo Life Insurance was plan-

ning to take over the bank. Telecommunications shares climbed as investors speculated on which company would win a service licence in June. Dacom rose Won9,000 to its upper limit of Won163,000 and Korea Mobile Telecom added

Won41.000 at Won773.000. Talk that Midopa Departmeut Store was planning o expand its entertainment business by strengthening its cable televisiou business seut its shares forward the day's limit to Won11,600, up Won600.

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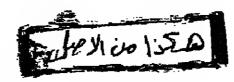
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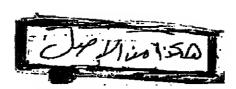
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Limited orders unmediately for this action. Markets closed 3/6/96. Dermark and Japon.

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invented telephone.

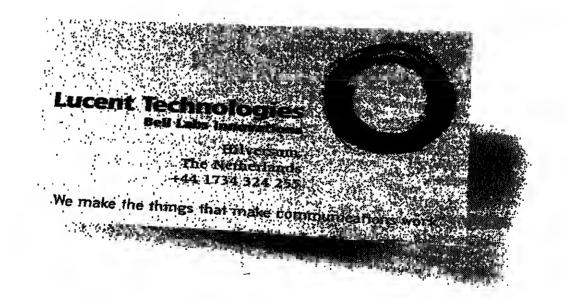
(ALSO transistor, laser, Telstar satellite, fiber-optic cable, cellular, voice mail)

Have won awards. (Nobel etc.)

Specialize in making things that make communications work.

Will do same for you.

The former systems and technology divisions of AT&T, plus Bell Labs, now Lucent Technologies.



Settlement with Names 'likely next year'

By Jim Kelly in London

Lloyd's of London will today announce that Mr David Rowland's term of office as chair-man is to be extended by a year to the end of 1997 to what will be seen as a vote of confidence in the market's ambi-

Mr Rowland, who became chairman in 1993, has spearheaded Lloyd's plans for reconstruction and renewal and is personally associated with the market's efforts to convince

should back the proposed set-tlement. The extension to Mr Rowland's contract, which was agreed by the market's ruling

LLOYD'S OF LONDON council, could also give Lloyd's an opportunity to alter the law so that his successor can be drawn from outside the mar-

be seen as providing continuity following the unexpected resig-nation last November of Mr Peter Middleton as chief executive of Lloyd's to take a job with Salomon Brothers, the US investment bank.

Mr Rowland said yesterday that he took the council's offer as "a vote of confidence in the policies we have pursued for the past four years to restore the society's fortunes". He said be was "confident" the settlement would be completed in 1997. The news comes within

Basic salary ranges

£'000 (as at May 1996)

hours of confirmation that Mr Rowland is expected to tell Names the individuals whose wealth has traditionally backed the market, that the cost of setting up Equitas, a proposed rescue vehicle, has fallen sharply.

The extra funds Names are expected to be asked to provide will be about £1bn (\$1.5bn). The Equitas premium had been expected to be £1.9hn. The steep fall in the cost will boost the chances of Lloyd's recovery plan succeeding when Names

the cost of Equitas, a reinsur-ance company which will take over hillions of pounds of mainly US asbestosis and pollution liabilities, will be an out-of-court offer to loss-making and litigating Names worth £3.1hn. This could increase if auditors' contributions of about £100m are included.

Today will also see a judg-ment in the so-called Clementson case in which the Writs Response Group of Names claims that Lloyd's central pean Union law. The fund is when Names are unable or

unwilling to pay debts.

Today also sees further hearings in the case between Calif-ornia securities regulators and Lloyd's. The regulators allege that Lloyd's mis-sold investment in the market and failed to warn potential Names of the risks involved, including those from pollution and asbestos

Hopes rise for easing of beef ban

By Caroline Southey in Otranto

Mr Franz Fischler, the European Union commissioner for agriculture, said yesterday that he hoped to prepare the ground for an early easing of the worldwide ban on British beef and beef products, possibly starting tomorrow with a decisinn from the European

"I must wait for what the Commission will decide," he said, adding that any move would have to be agreed hy the EU's standing veterinary committee, which would meet again next week.

Speaking during an informal meeting of EU farm ministers in Otranto, southern Italy, he underlined that any decision would have to be based on the advice of the EU's scientists as well as that of the World Health Organisation. He pointed out that "the WHO says that gelatine and tallow are safe if the process of production is safe"

Mr Jochen Borchert, the German agriculture minister, said there was a need "to give Britain the prospect of lifting the ban", but added: "We have to be sure about what they are doing."
Mr Fischler's move appeared

to be an attempt to inject energy into efforts to resolve the seven-week crisis by applyban. He said it was imperative grammes to ensure the safety of beef, such as the removal of months old from the food

"If these three things are worked on, the time will come to lift the ban. It to up to the British government and the beef industry to do their jobs," be said.

Mr Fischler said the principles behind Britain's plan for a selective slanghter policy were "okay", although the scheme might require "some additional points", including the possibility that berds with "multiple cases" of BSE - or mad cow disease - be slaugh-

However, Freneb officials warned that France felt nothing had changed to warrant an early lifting of the ban, while German officials added that proof was needed that British gelatine, tallow and semen were safe before it would agree to an exemption from

In his response to the SFA to implement health measures and by forcing other member states to consider easing the that Britain implement promeat from cattle over 30 chain, a ban on specified bovine offal, and improved controls and tougher standards for rendering of carUK NEWS DIGEST

Privatisation of **Post Office** back on agenda

The government intends to resurrect privatisation of the Post Office, which it abandoned two years ago after fierce opposi tion from many of its own supporters in the House of Com-mons. A pledge to sell the Post Office is set to be included in the Conservative party manifesto for the next general election following agreement between ministers and Mr Brian Mawhinney, party chairman, that party opponents to the sale could be won round. Revival of the sell-off has been driven by senior ministers including Mr Michael Heseltine, the deputy prime minister. They believe the government "lost its nerve last time". Ministers are now considering the mechanics of the privatisation, which could include selling component busi-

sses of the Post Offices separately. In a separate signal of its continuing commitment to competition in the postal services, the UK Department of Trade and Industry will this week call on the European Commission to consider extending its proposals on postal service liberalisa-tion. The DTI will give its support for the Commission's plan to allow private companies to compete for business mailshots of more than 5,000 letters and incoming cross border mail from the end of the century. Since the government abandoned the privatisation in June 1994, ministers have extended commercial opportunities for the Post Office.

Truck demand down sharply

Figures for truck registrations in April, to be published later, this week, will show a severe fall in demand, casting doubted on previous hopes for recovery in the sector. The impact of the April registrations of commercial vehicles of more than 3.5 connes will reinforce bearish data for truck production in the first quarter, which showed output falling hy more than 4 per cent to 62,277 vehicles compared with 65,194 a year before. The April figures mark an accelerating downward trend for truck registrations, which have now dropped in three ont of the past four months. A small rise in March has been dismissed as unrepresentative by industry executives because it reflected a big sales push by one leading manufacturer.

Figures for truck sales are generally seen as advance indica tors of confidence in important sectors of the economy, such as construction and retailing. "There are signs of a pick-up now," said Mr Tony Pain, sales manager for Leyland Daf Trucks. But leading truckmakers warn that the market is being distorted by uncertainty about the timing of new European noise and emission rules, due to take effect in October. Haig Simonian, Motor Industry Correspondent

Spitfire pilots scramble again

Twenty-one Spitfires flew across central England yesterday in one of the biggest gatherings of the aircraft since the second world war. The crowd of more than 30,000 people at the Imperial War Museum's airfield about 80km north-east of London included Mr Gordon Mitchell, the 75-year-old son of Reginald Mitchell, who died soon after the first Spitfire made its first flight 60 years ago, Air Vice Marshal "Johnnie" Johnson, one of the top-scoring allied pilots of the war, said at the airfield: "I am surprised at the interest, but I think the Spitfire



has become a kind of immortal thing that people feel helped gain them freedom." The Supermarine Spitfire, powered by Rolls-Royce engines, was the most famous fighter flown by the Royal Air Force in the war. Forty-seven Spitfires are believed

Boost for accountants

Accountants are to play a more central role in the financial management of the government machine following publication of a report which says that it fails to use all their skills. The report by Mr Andrew Likierman, bead of the government accountancy service, says there are "deep-seated problems" over the role of accountants and a "continuing failure to harness" what they have to offer. He recommends that the focus should move "away from accountants and towards accountancy". In the first report on accountants in government for five years he says it must be recognised that "the main role of accountants is to improve financial management . . ." Jim Kelly, Accountancy Correspondent

Banks to meet on failures

The Bank of England is to hold a conference of senior bankers on May 30 as part of continuing efforts to forge an international understanding on how to deal with complex cross-bor-der rescues of companies in financial trouble. The Bank is seeking the views of bankers from Europe, the US and Japan; on extending the so-called "London approach" developed in the UK to deal with large corporate collapses. At present cross-border corporate rescues can be frustrated by a wide range of different insolvency procedures.

Directors' pay 'moving closer to performance'

By William Lewis in London

The basic pay of top directors in the UK has moved more into line with the size and complexity of the companies they run, says a report to be published today by Arthur Andersen, the accountancy firm. Directors' bonus payments are also beginning to bear more relation to corporate performance, the

report shows However, Arthur Andersen concludes that the average increase in 1995 for top executives - basic and bonus together - was still relatively high at 8 per cent. The report finds that most companies have moved quickly to implement several of the main findings of the Green-

and Futures

Authority is

announce

today that Mr

Peter Norris,

the former

chief executive

of Barings, is to be suspended

for three years from its register

of directors, Nicholas Denton

writes. It will also demand

costs of £10,000 (\$15,100). But

Mr Ron Baker, one of nine for-

mer Barines executives facing

expected

bury committee's report on executive pay, published last

For example, 85 per cent of the companies surveyed - 40 companies, from the largest 250 public companies, which published annual reports during the period November 1995 to April 1996 - now make full disclosure of their directors' pay In line with Greenbury's

"Boardroom pay is increasingly being determined by reference to objective factors, such as organisational size and complexity," says Mr Brian Friedman, head of Andersen's compensation and benefits practice. Andersen's findings are based on 200 of the largest 350 UK public companies.

and will today begin the pro-

cess of appealing to an inde-

In a settlement with the

SFA, Mr Norris has accepted

that he failed to pursue a £50m

discrepancy in the accounts of Mr Nick Leeson, the Singapore-

based trader who eventually

brought down the venerable

But a statement of facts

expected to be published today

shows that several criticisms

of Mr Norris have been

dropped. The securities regula-

tor has held back from declar-

pendent tribunal

11 12 18 14 15 16 It found that n smaller group of companies - 14 per cent against 16 per cent in 1994 -

> plexity of the businesses they Arthur Andersen allocates each company a score ranging from one, for the smallest, to 27, for large international com-

and proper" to work in the

securities industry, which would have made it difficult for Mr Norris to find further

Mr Baker, the former head of

Barings' financial products

group and Mr Leeson's ulti-

mate boss, plans today to

deliver a 20-page statement of

defence rejecting the SFA's

charges against him. By this

action, Mr Baker is in effect

forcing a hearing by a tribunal.

in a year that I have had a

chance for judicial review." Mr Baker said. He added that the

"This is the first opportunity

employment in the sector.

paid their top directors basic

salaries which are higher than

a rate that the size and com-

nanies which are also difficult to manage. It then allocates a basic sal-

17 t8 19 20 21

ary benchmark to each company's most senior executive. This year's survey, the second to be carried ont using the so-called Arthur Andersen Complexity and Size methodology, found that 48 per cent of the basic salaries paid were in line with the model's estimate

importance of the Barings col-

lapse for the securities indus-

try had warranted a judicial

inquiry from the start rather

than the report by the Bank of

England's board of banking

Mr Baker will seek a prelimi-

nary hearing with the chair-

man of the tribunal. The main

hearing - which would typi-

cally take place before a panel

of a senior judge, an SFA offi-cial and a financial expert - is

not expected before October. In

March, the SFA said Mr Baker

had failed to act with due skill,

of what they should have been against 42 per cent in 1994. Evidence to suggest that more of a link is developing hetween corporate performance and executives' bonuses includes an increase in the percentage of companies not paying executive directors a performance bonus from 21 per cent in 1994 to 27 per cent last

Former Barings chief faces City suspension mitted misconduct in failing to understand Mr Leeson's proprietary trading. It proposed to ban him for three years and charge him £10,000 in costs. Mr Baker's defence is that the organisational confusion at Barings and Mr Leeson's fraud

both came before his assumption of full control of Mr Leeson. Mr Baker said he was refusing a settlement "because the criticism is unjust and I want to clear my name." Mr Ian Hopkins, the former

head of group treasury and risk, has also rejected the

Mr Baker is again standing

alone. Mr Ian Hopkins, former

Australian-born banker says he was scapegoat

By Nicholas Denton in London

Mr Ron Baker, the former Barings director who is today challenging a three-year ban by the Securities and Futures Authority, has always stood apart from his erstwhile colleagues at the failed UK investment bank

Australian-born Mr Baker, 44, joined Barings in 1992 from Bankers Trust, the aggressive US investment bank which pioneered the derivatives business. He was from neither the corporate finance tradition of Baring Brothers, the merchant bank, nor the Far East securities broking culture of Baring Securities, the stockbroking arm.

When Barings collapsed with £330m of losses on derivatives trading in February 1995, Mr Baker was singled out by colleagues for particular blame. This was largely because, as bead of financial products group, be was the a man with a beard. ultimate hoss of Mr Nick Leeson, the Singapore-based

Future expansion of the UK

semiconductor industry is in

jeopardy unless the shortage of

sultable recruits is tackled

soon, one of the sector's lead-

ing managers warned yester-

director at Siemens' microchip plant under construction in

north-east England, said the

British government was taking

the skills shortage very seri-

ously. Creation of a National

Microelectronics Institute is

By Chris Tighe



trader whose unauthorised that he believes he was a

trading doomed the bank. Mr Baker, in bis first newspaper interview, has said

Being an outsider told against Mr Baker too. The merchant hankers of Baring Brothers, the patrician part of the group, described him as "Ron the Con" and revived an old Barings adage: never trust

England and Scotland - which

together comprise the biggest

concentration of semiconduc-

tor manufacturing in Europe -

Since the Institute's aim would be to increase technical

knowbow and skill, it is likely

to give the area in which it is located a competitive advan-

tage in attracting more micro-electronics inward investment.

The Korean groups LG, Dae-

woo and Hyundai are all

known to be considering the

UK for semiconductor mann-

facturing investment

are competing for the project.

convenient scapegoat. "People wanted to believe that it was a pbenomenon caused by somebody from outside, someone who looked a bit different, sounded a bit different. "It was a tragic and utterly

human characteristic for people to explain things in a way that made them feel more

comfortable," he said. Many of properly supervised his colleagues' criticisms found in his response t their way into the report on the Barings collapse hy the Bank of England's board of banking supervision. Mr Baker said the Bank was reluctant to criticise executives who remained at Barings for fear of damaging the husiness, rescned by Internationale Nederlanden Groep, the Dutch bank. Blaming him was "an understandable commercial

Mr Baker, who conceded to the investigators his lack of experience in exchange-traded equity derivatives, was blamed for believing that Mr Leeson's large reported profits were real, and for displaying poor commercial judgment. He said the prosecutions unit

of the SFA, the securities industry regulator, followed in the Bank's footsteps. It charged that Mr Baker failed to understand properly and monitor Mr Leeson's proprietary trading activity, and to ensure that staff were

bead of group treasury and risk, has refused to settle with the SFA. But, among the nine Barings executives facing an SFA ban, only Mr Baker is taking the matter to tribunal. His defence has three main elements. First that the apparent profitability of Mr Leeson's trading was plausible. Second, that Mr Leeson's hidden 88888 account was a bogus client account and nothing to do with Mr Baker's responsibility for bouse trading. Third, Mr Leeson

started his fraud in July 1992, suffered large losses by November 1993, and doomed the bank by the end of 1994. Although Mr Baker proposed Mr Leeson'a bonus for 1993, be was only fully in charge of him from the start of 1995. Mr Baker's point is that be is for taking blame disorganisation wbicb preceded his appointment.

Siemens executive warns of Growth of offshore havens causes worry threat to high-tech growth

Roger Taylor assesses growing pressure on favourite methods of tax avoidance

Offshore tax havens around the UK are and Isle of Man are increasing at about

Mr Avis was personnel direc-

needed to ensure that if any more semiconductor manufacturers choose the UK, increasing the sector's overall size. the necessary skills are avail-able. If it gets substantially greater we are going to have to start taking some different action," he said. "Action is required by employers and by government

More suitably qualified gradoates were required, with greater specialist microelectronics knowledge, he contin-

growing very rapidly. So rapidly, indeed, that there is alarm in high places. The Inland Revenue is investigating offsbore subsidiaries of UK building societies, and several have been asked detailed questions about their operations. With more than 26bn (\$9.1bn) invested in them offshore, the Inspector of Taxes is worried about the potential loss of tax revenues.

The opposition Labour party is wor-ried, too. Mr Gordon Brown, the party's shadow chancellor of the exchequer, hit out recently at financial advisers who recommend moving money offshore to avoid the risk of paying higher taxes should Labour be elected at the coming general election.

The main offshore centres for UK investors are Luxembourg, Dublin, the capital of the Republic of Ireland; the Isle of Man off north-west England; and the Channel Islands of Jersey and Guernsey between England and France. The islands all make their own tax laws. All are growing fast. Over the past two years, deposits in Jersey have risen by 67 per cent, in the Isle of Man by 55.7 per cent, and in Luxembourg hy 187 per cent.

twice the growth rate of UK domestic

Most fund managers, along with off-shore banks and building societies, are at pains to point out that most of this husiness does not come from UK residents. Indeed, most are careful not to seek money actively from the UK. Mr Richard Buchanan, marketing manager of Abbey National in Jersey, says: "If you advertise in the UK for business,

'We have a reputation and do not want to encourage business which is less than reputable'

gory. We have a reputation and do not want to encourage business which is less than reputable."

eties are the most sensitive on this worked in Saudi Arabia, made a nice issue, perhaps because they can offer east in the way of legitimate tax avoid-

Offsbore accounts pay income gross. The law says the income must be declared and tax paid, so all the investor gains is a tax deferral of several months. But checking on whether people actually are declaring their gains is the Revenue's big problem. Offshore funds, in contrast, offer sev-

eral ways of *avoiding* tax. Roll-up funds allow investment returns to accumulate offshore, and tax is paid only when the investment is cashed in. Despite this, many offshore fund

management groups are keen to dis-tance themselves from UK investors. Robert Fleming and Mercury Asset Management, two of the biggest UK fund managers in Luxembourg, say their offshore funds are not designed for UK investors and are not marketed to them.

Mr Edward Morse, director of offshore sales for Flemings, adds: "We are not sucking money out of the UK into Luxembourg. We do sell a lot of products in the UK, but money does not come from UK Joe Normal. The vast majority of the money is already offshore. It could, say, be someone who

little nest egg and does not want it taken by the taxman. Sales may be made in the UK but that does not tell you where the money comes from".

Other companies differ. Murray Johnstone markets offshore funds aggressively in the UK as a way to avoid tax. Offshore life companies also have no doubt about their attractions to UK investors. Mr Alan Morgan-Moodie, of Clerical Medical on the Isle of Man, says: "Offshore life insurance exists as part of the UK tax-planning industry. He estimates that between £6bn and £7bn bas been invested in offshore insurance bonds, which can be combined with offshore trusts to create taxfree funds

One reason for the rapid growth of the offshore industry is the improving regulatory framework in receot years, offshore investments have been tain i by associations with financial scandals such as the Barlow Clowes affair in which thousands of people lost their savings.

However, the European single market ensures standards of regulation for Dublin and Luxembourg funds. The Isle of Man has set up deposit and policyholder protection schemes as good as those in the UK.

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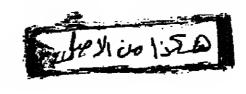
enough skilled people to cope with UK semiconductor projects already under way. Those include Siemens' project, which is expected to employ 1,300 people by 1999. A second phase, still under consideration, would recruit several hundred more.

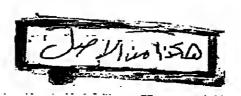
tor of Fujitsu's European microchip plant in north-east England before be joined Sicmens last November. But, Mr Avis said, action is

> The story is the same for investment funds. Those in Duhlin, Luxembourg

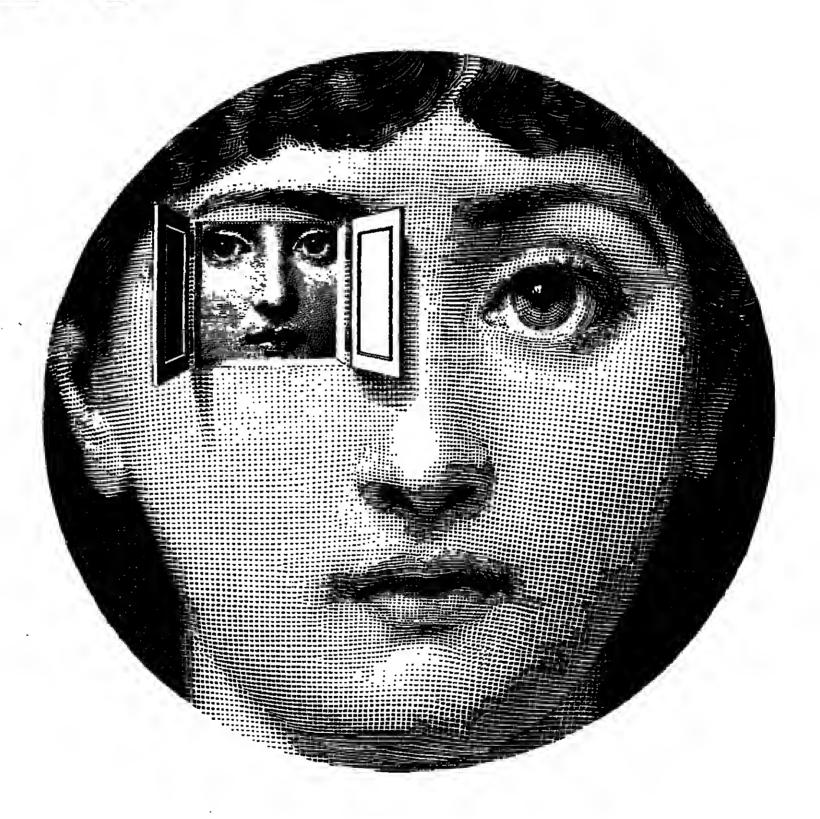
and the first of the control of the

The problem for offshore financial institutions is making clear that, while they are happy to help with the entirely legal activity of tax avoidance, they want nothing to do with illegal tax eva-sion. Offshore banks and building soci-





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A new epidemic of computer viruses is infecting personal computers linked to the Internet and corporate networks.
It is costing busi-THE NET nesses billions of dollars in lost com-

puter time, disruption of business operations and eradication efforts. The National Computer Security Associatioo, a US industry group. estimates that costs of viruses to US companies and organisations will soar to between \$2hn and \$3bu (£1.3hn-£1.9hn) this year, up from

about \$1bn last year.

Virus infections have increased almost tenfold in corporate America over the past year, according to an NCSA study published last month. The survey of 300 companies and organisations, each with 500 or more PCs, found that the likelihood of a virus infectiou rose from approximately one per 1,000 PCs during the first few months of 1995 to 10 infections per 1,000 PCs early

Much of the increase in virus problems is attributed to a new generation of "macro virus" programs, and in particular the so-called "Concept" virus. Concept is one of about half-a-dozen macro viruses that are associated with Microsoft Word, the most widely used word-processing program. It first appeared about nine months ago and has run rampant among Word users worldwide.

Unlike other viruses, which are carried in PC programs and spread via infected floppy discs or software downloaded from network servers, macro viruses lurk in documents such as word processor or spreadsheet files

A macro virus is a piece of selfreplicating computer code writteo in the macro language of an appli-cation program. The macro virus masquerades as a legitimate macro - a miniature time-saving program intended to automate frequent tasks such as document formatting.

The danger lies in macros that run automatically. These include, for example, the commands to open or close a file. Once a macro virus is running, it can copy itself to other documents, delete files and create general havoc in a PC without the user's knowledge.

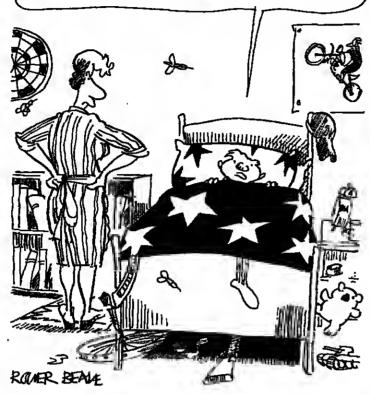
A PC can become infected by a macro virus simply by opening a contaminated document file which might have been transferred to the computer on a floppy disc, downloaded from a network or transferred as an attachment to an e-mail age. This makes macro viruses far more contagious than earlier

The Concept virus has spread "faster than any virus in history". says Peter Tippett, president of NCSA. The virus has moved ahead of almost every other virus in terms

Computer viruses linked to the Internet are costing companies time and money, says Louise Kehoe

Infectious behaviour

I'D BETTER NOT GO TO SCHOOL - I THINK I'VE PICKED UP A COMPUTER VIRUS



of numbers of known infections in st the past nine months,

The most troublesome finding in the NCSA study, however, is that Coocept is spreading, to a large extent, via e-mail. This raises a serious problem for users of the Internet, who are likely to receive documents as e-mail attachments. Innoceotly or otherwise, the sender may infect the recipient's computer with a virus. This is a case of truth being stranger than fiction. For more than a year, a hoar has been spreading among Internet users warning that e-mail messages titled "Good Times" contain a damaging

virus. In reality, there is no "Good Times" virus, but any e-mail message that carries an attached file must now be considered a potential source of infection.

Fortunately, Coucept, and most macro viruses, do not cause serious damage to a computer. However, they produce annoying messages cause problems with printing and saving documents. Moreover, new macro virus strains that have appeared over the past few mooths are more virulent

These include Hot, a virus that deletes Word documents when they are opened: Format C. which also deletes files; and Atom, designed to delete files on December 13.

The latest macro viruses also include two that target users of Lotus Development's Ami Pro and Word Pro word processors, acrording to S&S, publisher of the Dr Solomon's Virus Toolkit which detects and repairs the damage caused by

viruses.

The only sure way to avoid macro virus infections is to use the latest anti-virus scanning software, according to the US Department of Energy's Computer Incident Advi-

sory Capability group.
"Documents are much more mobile than executable files in an organisation, passing from machine to machine as different people write or edit them," the group notes. "The vulnerability of systems to this type of virus is high, because most users are not in the babit of scanning

Until recently, most anti-virus products could not detect and pre-vent the dissemination of macro viruses. However, Microsoft now offers a scanner program that detects Word macro viruses. The latest version of the scanner soft-ware can he downloaded free of charge from Microsoft's Internet Web site: http://mmn.microsoft.com/ msoffice|freestuf|msword|download| mutool/mutool20.exe.

Unfortunately, the macro virus scanning process is cumbersome since it involves scanning every new document loaded on to a computer. "The virus war is being fought with tanks and artillery, but the enemy is arriving by air and parachuting behind the lines." says Daniel Chiang, president of Trend Micro, which recently launched Virus Wall" software.

Similar in concept to "Firewall" software designed to exclude backers, the Virus Wall is designed to prevent viruses entering a corporate network by scanning all incoming traffic.

The way to prevent these new attacks from disrupting productiv-ity, or worse, destroying data, is constant, automatic scanning for all strains of the virus," says Chris Risley, chief executive of On Technology, which has developed another macro virus antidote.

For organisations that find themselves already infected with a macro virus, however, eradication can be time-consuming and costly. Every document file much be checked and rechecked to ensure that no copies remain.

The NCSA study found that infections were typically found in more than 100 PCs and five or more servers at a single site. On average, businesses spent 44 hours, 10 person-days of work and more than \$8,000 to deal with each incident of virus infections. The costs are often far higher, however, if valuable files are damaged or destroyed.

Software doctor's growing patient list

Taiwan-based Trend is a leader in the race to produce new data defence systems, says Laura Tyson

be company that cracked the infamous Michelangelo virus which terrorised computer users in the early 1990s has developed software that can detect and kill viruses infecting files as they are taken off the

As computer hackers around the globe seek to capitalise on the greatly expanded opportunities for pranks and sabotage offered by the Internet, makers and users of computers will need to huild up defences against viruses programs deliberately created to destroy computer data or systems. Taiwan-based Trend Micro

Devices, one of the world's leading producers of anti-virus software and network security systems, is marketing software that can scan for both known and unknown strains of viruses in files transmitted through e-mail, hulletin-board systems and other on-line applications or downloaded from the Net or Web

"With the Internet, viruses are being carried around the world much more quickly and the potential impact can be far greater," says Steve Chang, rend's chairman and founder

"In the past there used to be a time-lag of several months before virus from the US would turn up in Asia, for example. But starting last year, with Internet use really taking off, viruses are now being transmitted everywhere instantly."

Some competitors claim similar real-time" detection capabilities hnt do not accommodate special format or encoded files, which Treud's product automatically couverts as it scans, says Lin

Shih-chin, a technician.

The introduction of Microsoft's Windows 95, a new operating system launched last year and expected to sell 50m copies worldwide, is likely to increase problems with viruses because Windows 95 has a more direct interface with the Net than other

Trend bas developed anti-virus software specially designed for Windows 95, which has some

resistance to infection but apparently not enough. "Out of 200 live viruses we tested on Windows 95, 85 per cent survived. That is pretty scary for the user hnt I'm looking good," says the

exuberant Chang.
"Viruses are definitely going to
be a growing problem and an
added source of revenue for anti-virus software-makers," says J.N. Menon, a Singapore-ba software industry analyst at Dataquest. "Internet use is spreading like wildfire, and with Windows 95 the need for anti-virus protection is going to go up because of this external

Touchstone, a US software retailer, is distributing the new software, PC-cillin 95, in the US under the Tonchstone name.

There used to be a time-lag of several months before a virus from the US would turn up in Asia. With Internet,

viruses are now being transmitted everywhere instantly

Chang expects Windows 95 to enerate \$1 Im (£7.2m) in sales for Trend in the year after launch. While Taiwan's pre-emiuence in omputer hardware production is well-known, the country's

software industry can hardly even be described as uascent as it focuses mainly ou localisation of foreign products. Trend has expanded from just seven employees four years ago to 100 today, including 40 engineers.

Curiousity is what really got me into it," says Chang. "Why are these people writing viruses when there is no profit? How does a virus spread He lannched his first company. which used a localisation software to couvert databases into

Chinese-language format, in 1984 with \$100,000 scraped together from family, friends and "business

angels" to buy the source code technology. Soon afterwards he was faced with piracy in Taiwan and in China. "It was such a big m vestment for us and we had to protect it, so we were forced to invent a security key," he says. In 1987 he sold the security key

concept to a US company for \$120,000. "From this I learned that not only does your technology have to be unique and useful, but yon have to leverage it," he says. With the proceeds Chang moved to Los Angeles and founded Trend in 1988 as a software and data

security company. The following: year, one of his software engineer brought him a floppy disc containing a virus and showed bow it could infect one file after "I could see immediately that

this represented a real threat to the operating systems of personal computers and network systems," says Chang. "So I just went on my instinct. I didn't know the market at all. As soon as I saw it I just said let's do it." When Michelangelo struck in

1991, Trend got its first break and sales tripled. Then the company developed the first server-based anti-virus software - before that it had all been client-based - but lacked the resources and reputation necessary to sell it to eading US companies. The new software enabled users to scan for and eliminate viruses at the centre of a network instead of simply at individual computers.

Lured back to Taiwan by the Taiwan government and the prospect of greater returns, Trend n 1994 moved its company registration from the US to Taiwan and plans to be the first software company to list on the Taiwan Stock Exchange,

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It now has a computer virus bank with more than 5,000 live strains with names such as "pingpong", "ambulman," "stanford", "crumble", "melt" and "egaflip". Some 200 new ones are created each month. The former eastern bloc countries, especially Bulgaria, are a rapidly growing source of viruses, with about 30 per cent originating from the region, Chang estimates.

LIFFE traders set the pace

Following the success of last year's Savoy Classic, LIFFE would like to thank the sponsors and supporters of this year's charity racing dinner, the Dorchester Charity Stakes 196. held on 2 May 1996.

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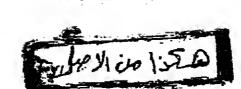


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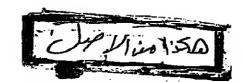
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ARTS





Portrait of Pope Innocent X by Velazquez; and Francis Bacon's 1949 'Head VI'

Two masters pay their papal dues

William Packer discusses the popes painted by Velazquez and Francis Bacon

he portrait of Pope Inno-cent X by Velazquez is one of the greatest psychological portraits ever painted. The pope looks out at us, fixing us with his implacable gaze. daring any challenge to his God-given authority. It has been the star item in Room 30 of the National Gallery, London, as part of a selection of great paintings on loan from the Doria Pamphilj Gallery in

The selection includes works by Caravaggio, Raphael, Claude and Guercino but even in this distinguished company, Velazquez's pope, all white and crimson silk in his giltand-red-plush chair, fills the canvas. as he fills any room it occupies, with his powerful and brooding presence. The portrait fascinated Francis Bacon. The story is that he knew it only in reproduction, even though he spent some time in Rome. Was he, too, afraid of its almost palpable and

troubling power? Who can say? Some

find in it a strong coincidental like-

gio Musicale in

Florence is partially

T nlike Cambridge

true to its title. It does at least

start in May, even if the Mag-

guishable part.

ness to Bacon's own bated and sadis-tic father, who had him whipped in public by his groom.

The fact is that Bacon first adopted the ambiguous image of s caped prelate in 1949, boxed as though within the notional space commanded by a chair. The top of the head is cut off, the month open and screaming in direct quotation of the famous image from Eisenstein's film, The Battleship Potemicin. Screaming or otherwise, in versions large and small, the idea and image continued to preoccupy him,

off and on, for nearly 20 years.

Four of these paintings are known to have remained in England, in public and private hands. Two are early in the sequence, that small first screamer of 1949, and a larger, more fully if loosely-stated and rather thoughtful Pope, clearly worked from the original, though rather wonky and off-centre, dating from 1951. Both are low-toned, grey and pur-

ple, which suggests the black-and-white reference available at that time. The other two are from

1961 and 1965, the first rather modish in its flat and schematised green throne against a dark background and fluid working of the pink and crimson pope, the other richly expressionist and yet closest of them all to the

original in colour and pose. The opportunity has now been taken to hang them with their inspir-iting original for the final three weeks of its stay. This proves to be a bold and successful stroke. As with the paintings by Lucian Freud that were hung within the Dulwich Collection the year before last, to compare is not to compete. Here is no question of better or worse, but only of distinc-tion and connection.

What is made clear is that the Bacons hold their own in the company, different as they are and of their own time, but part of that continuum of practice that brings artists

together across the ages.
Once the imagery is accepted, as with all good painting, they bring us back to the surface and the stuff of on the surface; Bacon delicate for all his urgency and impulsiveness; Velazquez so soft and swift of touch, so economical and exact.

There is a passage under the nearer arm of Velazquez's pope, partly in shadow, where tha white surplice, with its pleats and fringe of lace, falls across his thigh and round the pillar of the chair, strokes of white on white on white - as inventive, radical and minimal a piece of painting as one could ever see.

Over in Room 4, more debate, if not controversy, as Holbein's huge dou-ble-portrait, "The Ambassadors", returns to view after its lengthy resto-ration. Should such things ever be cleaned, let alone restored? It seems a matter of common sense in the first instance to prevent deterioration; and if there is extraneous matter on the surface, it seems not unreasonable to remove it. Is previous restoration thus extraneous? That depends on how well it was done, but where possible it is as well to get down to the original the paint itself as the artist has laid it surface to determine the extent of any

loss. No restoration should ever be irreversible. And if what was lost is known and can be replaced, replace it. This case is a wonderful vindication

of such a policy, and a personal tri-umph for the gallery's chief restorer, Martin Wyld. The luck was that after 19th-century work was removed, the principle damage was low down on the left, and along the cracks between the ten oak planks that make up the panel - which it was Holbein's compositional trick to dodge where possi-

The colours are now rich and fresh, but never gaudy, and what has come back is all the subtle shadowy space beyond the two men, beneath the hench and on the floor, and the skull now reads as the proper skull it was not before.

Velazquez and Bacon – paintings of Popes: National Gallery. Trafalgar Square WC2, until May 18; Holbein's manent view.

have fitted better at the Salz-

Richard Fairman on the opening of the Maggio Musicale in Florence

The calm before the storm

gio continues to the end of Idomeneo, produced by Jona-than Miller. It was a safe June and has now virtually been absorbed into a roundchoice, as Miller has already the-year season of events of which it is a barely distinbeen responsible for the Mozart/Da Ponte trilogy in Flor-This year's programme offers no particular theme or focus of ence (one opera a year between 1990 and 1992) and his way with the composer must be a stiention, more s collection of bigger names than are found in known quantity. In s country the winter or summer schedwhere good singing still counts ules. Two of them - the profor more than production valnes this is easy to understand. ducers of the two new opera Whether they expected a pro-duction quite as predictable as productions - happen to be British, but that probably reflects a general trend this is another matter.

towards acceptance in Europe No surprises were sprung. No risks were taken. Wstching a performance as deadeningly that has been growing for some years. The casts and peruneventful as this, it is easy to become oblivious to the life-and-death iesues being For the opening night on May 2 the festival offered a enacted on stage and find one-new production of Mozart's self listening to the music as if

emotional energy emanating from these characters at all. They looked and moved more like two-dimensional illustrations from a dusty tome on operatic history.

The programme-book listed Miller as co-designer with Giles Cadle and between them they came up with a fashionably clean-cut set, all in white. Its sleek lines and polished surfaces were at one with the musical performance, which showed no more sign of wanting to explore below the surface than had Miller with the drama. Semyon Bychkov has taken on board the faster speeds and snappy rhythms of the authentic brigade, but uses

it is a piano concerto or a them merely to produce an string quartet. There was no updated version of "Dresden china" Mozart, every bit as soulless as the original.

> It takes a certain amount of will-power for the singers to overcome restraints like these, but two at Saturday's performance did. Nuccia Focile sang Ilia with feeling and spontan-eity, as though she really meant what she sang. Hillevi Martinpelto is not the wild creature that Elettra should be, but sings the long Act 2 scene with s purity of voice and style unequalled by anybody else today. The central relationship between Idomeneo and his son Idamante went for little, despite Deon van der Walt's scrupulons coloratura semiquavers and Vesselina

Kasarova's elegant phrasing. Who would have noticed they came within s knife edge of human sacrifice?

There is plenty of that in Strauss's Elektra too and I was sorely tempted to add another body or two to the pile after Sunday's performance in Florence. While the Idomeneo never had much chance of success, the Elektra was a potentially tremendons avening ruined by large-scale, and surely unnecessary, amplification. It was not clear whether somebody thought the Teatro Comunale acoustics were not good enough or if a set so deep caused them problems. Either way the result seemed to me hugely regrettable.
The production can only

originated. Here, as the singers roamed around the set, they becama huge, disemhodied voices, which echoed as if they were being relayed from the Duomo up the road. Deborah Polaski's Elektra and Reiner Goldberg's Aegisth simply do not sound like this in real life, as I know from hearing them a fortnight ago in Paris. Nor were Karita Mattila's Chrysothemis and Marjana Lipov-

šek's Klytemnāstra blown out of proportion any less. So, to report that they all seemed in good voice and that Claudio Abbado and the Berlin Philharmonic gave a performance of thrilling concentration and dramatic intensity. played to perfection, is all the more painful. How could Abbado, after his highly-publicised stand against his record company over artistic integrity, have agreed to s sell-out like this?

Keeping in tune with the public

Antony Thorncroft talks to Nicholas Kenyon

icholas Kenyon looks remarkably relaxed for "the man who single handedly is destroying years ago he took over as controller of Radio 3, and roused the vociferous fury of the old guard by some gentle lightening up of BBC radio's arts channel. Last week ba confronted an even more fanatical cult, the Proms audience, by unveiling his first programme as

There was little in it to nount the barricades, "I wanted to do some things differently, but the Proms has such a fabulous tradition that it is a case of development not revolution. That is not to say there is nothing more to be

Kenyon best displays his caution by preserving the Last Night shenanigans: "It would be more than my life's worth to change it." But unlike his predecessor, John Drummond, who tried to introduce some lecorum to the proceedings by banning hooters and raising the musical seriousness of the occasion, Kenyon is all in favour of a little jollity. "There should be a spirit of genuine celebration at the end of the festival".

After last year's orgy of new music Kenyon is also concentrating on works never heard at the Proms before but pieces by unfrightening names like Mozart, Haydn, Rach and Handel. All through the programme there are minor innovations: a Junior Prom for schoolchildren: a linked chamber music series; a concert of Broadway songs to set against the fixed traditions: a Viennese night: great visiting orchestras (from Berlin, Chicago, New York); curiosities, like concert performances of Beethoven's discarded opera *Leonora* and Kurt Weill's *The Silver Lake*.

The aim is to make every Prom an event, and although there are still routine concerts among the record number of 72 Proms, the loyal Promenaders should ensure

that the box office target is hit. Amid talk of an ageing and declining audience for classical music in London and elsewhere - the Proms defy the pessimists: last year, with a challenging cent capacity. This year it should do even better.

Fixing the Proms has not taken Kenyon's eye off his day job – running Radio 3. Indeed one of his innovations is to link the Proms even closer to the network, ensuring that works by the Composer of the Week, and performances by the Artist of the Week, are featured at the Proms. The Proms will also get additional Radio 3 coverage through more news and reviews on air.

After all, this biggest music festival in the world attracts new listeners to Radio 3 - Im. tume hi each week, an astonishingly high figure when set against the channel's average weekly audience of 2½m, an audience which shows no signs of flagging, despite the competition of Classie fm.

Kenyon has succeeded in facing down his critics. Even

his most controversial move. to give the key Morning Collection slot to Paul Gambaccini, not only a former pop DJ but also an American, seems to be paying off and attracting new listeners. "It was a totally right decision. Radio 3 can become a little broader without throwing away everything".

Kenyon sees his job as maintaining "a real balance between the expectations of the existing audience and the need to make ourselves enjoyable to a new audience. However, while not giving an inch in public, Kenyon has backtracked on some of his original changes. The chatty presenters and the intrusive information which so upset traditional listeners to the key morning programme On Air and the early evening in Tune bave been curbed. "The presentation style has got to settle down."

within the the next month a new presentation format will be unveiled for the channel which, in theory, will enabla it to speak with a single voice. Kenyon hopes this will combine "warmth with authority. The amouncers will speak from a position of knowledge and enthusiasm. He has also accepted that Radio 3 caters for a wide range of niche audiences: he



Nicholas Kenyon: his

speaks warmly of such hoary favourites as *Choral Evensong*, and he is prepared to look again st the ever-festering row over the pancity of jazz coverage.

Kenyon is starting to speak with authority. He is set for a long haul. Although his Radio 3 job comes up for renewal in 1997, he will be responsible for the Proms until 2000: it would be remarkable if he did not continue in both posts until the millennium. Having weeded out some of the elitist approach which deterred new listeners, Kenyon is now building bridges with the traditional audience.

They should welcome his latest achievements. Schools broadcasts, which commandered the wavelength in the afternoon, have finally been cast off, and last weekend Radio 3 became a 24 hour channel. The programming after midnight may not sound too enthralling concerts borrowed from European Community classical music stations - but it suggests that Kenyon, and Radio 3, are in an expansionary, even visionary,

INTERNATIONAL

formers in concert are as inter-

national as anywhere else.

■ AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 Radio Kamerorkest: with conductor Frans Brüggen and the Groot Omroepkoor perform Beethoven's Die Geschöpfe des Prometheus, Op.43 and Haydn's Therestenmesse. Soloists Include soprano Regina Nathan, alto Monica Groop, tenor Mark Padmore and bass Nanco de Vries; 3pm; May 11

BERLIN

CONCERT Konzerthaus Tel: 49-30-203090 ● Berliner Sinfonle-Orchester: with

Conductor Yutaka Sado and planist Babette Hierholzer perform works by Brahms and R. Schumann; 8pm;

Philharmonie & Kammermusiksaal Tel: 49-30-2614383

Mass in B minor: by J.S. Bach.

Performed by the Berliner Konzert Chor and the Berlin Sinfonietta with conductor Matthias Elger. Soloists include M. Deubner, B. Bartosz, N. Glesecke and M. Hoff, 8pm; May 9

Komische Oper Tel: 49-30-202600 La Bohème: by Puccini. Conducted by Winfried Müller and performed by the Komische Oper. Soloists includa Hellmich, George, Newes and Nau; 7.30pm; May 10

■ BONN

Kunst- und Austellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200 Wisdom and Compassion. The

Sacred Art of Tibet this exhibition focuses on the traditional themes of the art of Tibetan Buddhism and presents the important stylistic developments from the 9th to the 19th century. On display are 190 objects of sacral art, mainly scroll-paintings (tangka) and omate metal sculptures, but also application work and tapestnes as wel as wooden, ivory and stone sculptures with a strong religious expression; from May 10 to Aug 25

COLOGNE

CONCERT Kölner Philharmonie Tel: 49-221-2040820 MOR-Sinfonieorchester Leipzig: with conductor Jan Latham-Koenig and pianist Philippe Entremont

perform works by Gershwin and Weill; 6pm; May 9

■ DETROIT

EXHIBITION The Detroit Institute of Arts Tel: 1-313-833-7963 Treasures of Venice: Paintings

from the Museum of Fine Arts, Budapest: exhibition of 55 works from Venetian artists such as Bernardo Bellotto, Canaletto, Paolo Veronese, Giorgione, Titian, Tintoretto and others. Tha exhibits include paintings depicting religious and mythological subjects, 18th-century Venetian landscapes and a selection of portraits; to May

FLORENCE

CONCERT Teatro Comunale Tel: 39-55-211158

Orchestra del Maggio Musicale Fiorentino: with conductor Semyon Bychkov perform works by Beethoven and Haydn; 9pm; May

■ FRANKFURT AM MAIN

DANCE Das TAT im Bockenheimer Depot Tel: 49-69-21237666 ● I was Real - Documents: a

choreography by Saburo

Teshigawara to music by Hindernith, performed by Karas. Soloists include Saburo Teshigawara, Allison Brown, Satoru Choko and Emio Greco; 8.30pm; from May 8 to May 11

■ LONDON

CONCERT Wigmore Hall Tel: 44-171-9352141 Felicity Lott: accompanied by pianist Graham Johnson. The soprano performs songs by Fauré,

Barber and Poulenc; 6pm; May 9 Nobuko Imai, Leonidas Kavakos and Oystein Birkeland: the viola-player, violinist and ceilist perform works by Beethoven, Ravel and Lutoslawski; 8pm; May 8

EXHIBITION Barbican Art Gallery Tel: 44-171-6384141

 Eve Arnold: in Retrospect/Derek Jarman: A Portrait: two exhibitions shown at the same time. Eve Amold:

In Retrospect covers the life's work to date of photographer Eve Arnold, who for more than four decades has served as witness through camera and words to many of the major figures and events of the latter half of the 20th century.

■ NEW YORK

CONCERT Avery Fisher Hall Tel: 1-212-875-5030

 American Symphony Orchestra: with conductor Leon Botstein perform works by Weill, Schreker and Hindemith: 8pm: May 10

JAZZ & BLUES

Carnegie Hall Tel: 1-212-247-7800 Richard Stoltzman: performance by the clarinettist, featuring Bill Douglas on keyboards and Eddie Gomez on bass. The programme includes works by Ornette Coleman, Thelonious Monk and Duke Ellington; 8pm; May 10

■ PARIS

CONCERT Salle Gaveau Tal: 33-1 49 53 05 07 Catherine Marchese and Emile Naoumoff, the bassoonist and the pianist perform works by R.

DANCE Théâtre du Châtelet Tel: 33-1 42 33 00 00

Schumann, Satie, Naoumoff, Fauré,

Saint-Saëns, Françaix, Petit and

Boulanger, 8.30pm; May 9

 Limb's Theorem: a choreography by William Forsythe to music by Willems, performed by the Ballett Frankfurt, 8.30pm; to May 11 Théâtre National de 140péra -Opéra Garnier Tel: 33-1 42 66 50

 Bailet de l'Opéra National de Paris: perform Petit's choreographies Rythme de valses Camera Obscura ou l'amour est aveugla and Le Loup; 7.30pm; May

SALZBURG

EXHIBITION Rupertinum - Salzburger Landessammkungen Tel:

43-662-80422336

 Marc Chagall. Die Radierungen zur Bibel 1930 bls 1957: exhibition of a series of 105 illustrations by Chagall to the Bible. The etchings were created in the years 1931-1939 and 1952-1956; to May 12

■ VIENNA

CONCERT

Musikverein Tel: 43-1-5058681 Robert Lehrbaumer: the pianist performs works by Brahms, Chopin, Liszt, Ravel and Schubert; 7.30pm; May 10

 Wiener Symphoniker: with conductor Mariss Jansons and cellist Heinrich Schiff perform works by Franck, Tchaikovsky and Stravinsky, 7.30pm; May 8, 9

ZURICH

OPERA Opernhaus Zürlich Tei: 41-1-268

 Schlafes Bruder: by Willi. Conducted by Manfred Honeck and performed by the Oper Zürich. Soloists include Liliana Nichiteanu, Elizabeth Magnuson and Roberto Sacca; 7.30pm; May 8, 10, 12 (8pm)

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Martin Wolf

How the west failed Russia

While some eastern European states are now on the way to rapid economic growth, Moscow's repeated efforts at stabilisation have demoralised the population

Who has lost Russia? Of the possible outcomes of the presidential election due on June 16. ouly one - a clean victory hy Mr Boris Yeltsin - would make it easy to avoid this question. If the Communist, Mr Gennady Zyuganov, were to win, if the election were cancelled, or Mr Yeltsin were to triumph by too palpable a manipulation of the poli. the opportunity for Russla to become a normal democracy

with a normal market economy would, for now, he lost. At hest, relations between Russia and the west would become more difficult; at worst, the world would have to cope with a Russia more unstable and perhaps as dis-ruptive as in Soviet days. If so, per cent in every year. did the west fail Russia? Or were hopes for rapid reform always illusions? The systematic divergence hetween what has happened in

of a state's collapse, but also, as Professor Jeffrey Sachs of social demoralisation.

Bank for Reconstruction and Development, 1996'. While Poland is entering the promised land of rapid growth. Russia can hut glimpse it in the distance. The EBRD forecasts its GDP in 1996 to be 44 per cent lower than in 1989, after six years of decline. But even this dire performance is better than that of

central and eastern Europe on

the one hand, and the former

Soviet Union on the other, is

startling. Poland had two years of sharply falling real

gross domestic product in the

first phase of its transition.

But since then it has enjoyed

strong recovery, with rates

of economic growth of at least

6 per cent in 1994, 1995 and as

forecast by the European

Belarus and Ukraine. The swift reformers of cen-tral and eastern Europe - the Czech and Slovak Republics, Hungary, Poland and Slovenia have managed to raise life expectancies for both men and women since 19892. In Russia hy contrast, male life expectancy collapsed, from 65 in 1989 to 57 in 1993. There can be no better indicator of the stresses that have made Mr Yeltsin so unpopular.

The decisive difference

hetween the successful and unsuccessful reformers has been stabilisation. No market economy can emerge under hyper-inflation - or eveu very high and variable inflation. As William Easterly of the World Bank argues in the latest Economic Policy, stabilisation of high inflatiou has often led to immediate economic growth. Unfortunately, while Poland

needed just the one successful stabilisation effort, in 1990. Russia is on its fourth, as is pointed out hy Professor Robert Skidelsky and Liam Halligan'. Inflation has been hrought down - hut too slowly. Between the end of 1990 and 1995, the Russian price level rose 3,900 times and inflation has been above 100 High inflation is a symptom

Harvard University has noted on several occasions, also a cause. Speculators and criminals flourish while long-term investors and the law-abiding despair. Russia, despite real successes, notably in its early efforts at mass privatisation shows evidence of this spiral into political illegitimacy and As each successive effort at

stabilisation failed, Mr Yeltsin had to throw another reformer off the back of his sledge - Mr Yegor Gaidar, then acting

CIS*

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1992; Mr Boris Fedorov, finance minister, in January 1994; and Mr Anatoly Chubais,

first deputy prime minister, in January 1996. As Mr Yeltsin has relied increasingly on members of the old power elite, they, in turn, have done what comes naturally: while the vast mass of the Russian people have lost almost everything they had, a tiny group has exploited opportunities afforded by their privileged status to seize huge unearned fortunes. The former Soviet Union has become a heavily armed Brazil. Unfortunately, as in Brazil, Russia's present degree of inequality is likely to prove incompatible with stable democracy.

Nothing is easler than explaining why Russia has found the transition vastly more difficult than Poland: Russians do not remember a market economy, while older Poles do: the Russians collectivised agriculture, while Poland retained an independent peasantry; Russians had only amoral Communism. while Poles had Catholicism: Russiaus think themselves heirs to a unique civilisation. while Poland aspires to he western: Russians had rule hy former apparatchiks, while Poland - with Solidarity - initially had a clean break with

the past; and Russians lost

Triumph and tragedy in post-Communist reform

94

95

empire and ideology, while Poles found freedom.

Furthermore, Poland's economy was far less militarised than Russia's. It was also less dependent on trade with other communist countries than were the republics of the former Soviet Union, including Russia, on one another.

All these explanations are persuasive. But history is full events deemed implausible in advance and inevitable in retrospect. Anyhody who argued, in 1955, that the world's most successful developing economies would he Hong Kong, Singapore, South Korea and Taiwan would have been thought mad. For that matter, Poland's jump to the market was widely condemned at the time as unwise or impossible.

Reforming Russia was hound to he more difficult than for most countries outside the former Soviet Union. It was also more important. The collapse of the Soviet Union presented a danger and a great opportunity. Russia needed imaginative help to shore up its extraordinarily fragile state through an unprecedented transformation. But the west's role in the failed stabilisation of 1992 was grossly inadequate.

What was most needed was a few years of non-inflationary financing of the collapsing

Czech Re

Eastern Europe

Instead, the International Monetary Fund was left on its own, while western governments, to the extent they thought about Russia at all. were obsessed with who would service the Soviet Union's external debt. The reality was of course, to be nobody.

To those who would argue that the money was either unavailable or would have heen wasted, the answer is simple: between 1947 and 1990, the west spent over 10 trillion dollars in today's terms on defending itself against the former Soviet Union. If things bave indeed gone irreparably wrong, it may be forced to spend comparable sums again. Against that background

worties about the possibility of wasting the odd few tens of billions were risible. Who knows what would have happened if Mr Yeltsin and Mr Gaidar had been able to bring inflation down to an annual rate of, say, 50 per cent, by the end of 1992. Maybe a Commu-nist would still be elected next month, but he would inherit a success, rather than an apparent failure.

Bordering on Europe in the west, the lands of Islam in the south and China in the east, Russia is the heartland of Eurasia. In the early 1990s the west had a brief chance to help it become a normal democracy. It could not afford not to seize It. Instead, it was frittered away by politicians and bureaucrats with the vision of accountants. The chance may never recur, if it does, the west will not deserve

'Tronsition Report Undnta (London: European Bonk for Reconstruction and Development, April 1996): 'Transition Report 1995, EBRD; *Williom Easterly, When is Stabilisation Expansionory?", Economic Policy. Centre for Economic Policy Research, April 1996; 'Robert Skidelsky and Liam Halligan Macroeconomic Stabilisation in Russia: Lessons of Reform 1993-95 (London: The Social Market Foundation, 1996),

Politicians are putting too much faith in the magic of the Internet, argues John Authers

Education's hopes fall through the Net

Are politicians hoping for too much from the Internet, the global network linking businesses, universities and individual computer users through telephone lines? Particularly in education, the new online technology is now carrying a hurden of expectation which could prove far too heavy.

The ferment is most obvious in schools, where last week both the UK's main political parties attempted to establish their educational credentials hy unveiling plans to shower schools with extra computer hardware and link them to the Internet

This follows a pattern already well-established by the private sector in the US. where Microsoft and America Online. respectively the world's largest software house and Internet provider, hoth offered free Internet equipment to schools - an offer which in Microsoft's case was taken up hy more than 5,000 institutions.

Experiments have already shown that the Internet and video-conferencing technology can he used to improve school education in remote areas such as the Scottish islands and the Australian outback. But it is in higher and further education that the greatest hopes are attached to online technologies. They are seen as the best way to increase the number of people in post-school education because of the scope they offer to attract those who cannot attend formal courses, through "distance learning". This allows students to be taught through their personal computer screens, connected via the telephone network to col-

leges and universities. American universities were among the first institutions to recognise the technology's possihilities. In the UK, higher education has similarly been in the vanguard of introducing online technology, with the introduction three years ago of the new SuperJANET network. This allows advanced researchers to communicate on-line with detailed multimedia

use it to watch surgeons per-form operations "live", while molecular chemists can transmit complex diagrams which can he instantaneously compared with the results of other researchers.

Online technology is now an established part of the infrastructure of British universities. For example, Nottingham University has 4,000 Internet terminals on its campus, capacity that would allow each of the 12,000 students to spend eight hours a day online.

The inquiry chaired hy Sir Ron Dearing into the future of universities plans to devote much of its time to the possihilities offered by a greater use of online technology. Labour meanwhile, is huilding plans for a new online University for Industry, which would deliver training courses directly to the workplace, using the Internet

The success of the Open University, the UK organisation that uses radio and television for teaching, suggests there is a market for distance learning in higher education. During this academic year, the number of its students who have a directly interactive modem link with the university has risen from 5.000 to

16,000. But, as officials at the Open University concede, its students tend to he far more motivated than the average, taking courses in their spare time.

Nottingham University has 4,000 terminals on campus, capacity that would allow each of the 12,000 students to spend

eight hours a

day on-line

the average student - 74 per cent are in full-time employ-

ment. It is doubtful if the method which serves highly motivated adults will be as successful in reaching the two-thirds of school leavers who do not go on to university now. These less motivated students are those likely to find it hardest to learn without the encouragement and individual attention given in traditional col-

leges and universities.
"It would be naive to think that all the expansion is going to he done through distance learning," says Mr Martin Gas-kell, principal of Nene College, Northampton, a higher education college seeking university status. "Many of those new students will need close tutorial support face to face."

In the US and the UK online technology in universities nsed to help researchers co-operate and to facilitate communication between students and tutors.

Nottingham University, one of the UK's most successful universities, sends up-to-date medical information to universities in Uganda which previously relied on textbooks rule lished in the 1950s. Online technology performs such tasks successfully. But it is not necessarily helpful in reaching out to potential students among school-leavers; if anything, it makes the universities

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more exclusive. According to Sir Colin Campbell, vice-chancellor of Notting ham university, computeralded learning for students outside the campus is a possibility, but it has a lower priority than improving the university's internal networks.

The Internet has already performed one task for higher education by making the life of researchers easier. It may be unwise to expect it to perform the quite different task of increasing student numbers. The Internet has many uses, but they are not always those that are touted by politic

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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either way

From Mr John Murray. Sir, In the recent kerfuffle about the rights and wrongs of a referendum on Emu. much has been made of the people's right to decide on an issue as important as the abolition of sterling. The government has now announced that one will be held, if and when a Conservative cabinet decides

in favour of monetary union. What, however, if the government is inclined against participation? The economic and political consequences could be quite as great, and yet we are seemingly to be denied a direct say - a sorry prospect given the series of botched decisions which have marked our relationship with the EC and now the EU.

The prime minister affected with Germany's Chancellor Heimut Kohl to know the UK electorate's mind on Emu: I am not so sure. Unless a referendum is to be merely an additional obstacle to our involvement, it should be held to ratify a decision, whether to join or to stay out. The government, of whatever hue should take steps in relation to the Maastricht criteria to ensure we are in a position to exercise a genuine choice

John Murray, 9 Cambridge Street, Tunbridge Wells, Kent TN2 4SJ, UK

Offer choice | Gradual reform in Asia is a clear rebuke for Russian 'shock therapy'

From Prof Georgy E. Skorov. Sir, In his letter of April 24, Prof Jeffrey Sachs has admitted that shock therapy cannot work magic in south Asian countries because they are "overwhelmingly rural, peasant societies". However, the record of shock therapy in overwheimingly urban. industrial" eastern Europe is hardly any better. The UN Economic Commission for Europe, in one of its recent economic surveys, made a critical assessment of this concept and the contradictory results of its application in the

The significance of Estonia and Slovenia, which Prof Sachs lists as success stories in eastern Europe, is of limited value. Small countries with a population, respectively, of 1.6m and 2.5m people, cannot serve as a model for Europe or the world. This is especially so with Estonia, whose achievements are largely due to windfall profits from re-export of smuggied

non-ferrous metals from Russia. That factor made It the fourth largest world exporter of aluminium in 1993, though not a single ounce of it was produced on its soil.

Poland is another favourite example of shock therapists. True, the country has attained the highest growth rates in eastern Europe. But it also has the highest rate of unemployment - 15 per cent of the labour force. That, along with other social strains, was hehind a massive vote for the ex-communist Alexander Kwasniewski at the presidential ballot in December

Hungary, the Czech Republic and Slovakia have successfully moved to a market economy by implementing more gradual and less painful reforms. China has also demonstrated advantages of a gradual pragmatic reform strategy adapted to national circumstances.

Russia, by contrast, has firmly chosen the path of

"rapid" reforms totally unsuited to conditions. If there is a threat of the communist Gennady Zyuganov becoming the next president of Russia five years after the final

> largely due to Boris Yeltsin's confused reform strategy based on shock therapy and structural adjustment prescriptions. These policies discredited capitalism even before it was established in the country. That is a lesson that cannot

demise of communism, it is

be ignored. Luckily, Asian nations follow a different path. Asian Development Bank backing of "gradual" reforms: hased on common sense. historical experience and national traditions plays a significant role in the picture and is a clear rebuke to shock therapy.

Georgy E Skorov. visiting professor. **HEC School of Management.** 78351 Jony-en-Josas.

Nothing archaic about pre-emption rights

have in the past been

From Mr J.R. Gibb. Sir, Sir, re rights issues, both the Office of Pair Trading and Lex ("UK underwriting", May 1) have lost their way over shareholders' interests. Pre-emption rights are not some ancient restrictive

practice; they are an essential part of maintaining the position of existing shareholders, especially small ones. In the absence of pre-emption rights it is far too easy for existing shareholders to be diluted out of existence.

This is not an imaginary notion - it used to happen. I suggest you get your Lex to read a little financial history.

head of state with a record of

another politician with all the

selfless service than yet

J.R. Glbb. 36 Renfield Street, Glasgow G2 1NA

An unfortunate constitutional comparison between US and UK

From Mr C.W. Roper. Sir, Michael Prowse's article "Free from Royals" (May 6) is as remarkable for its blinkered ignorance as for its snide innuendo. Many of the practices in the US which he lauds in comparison to the despised British ways are, perfection be claims.

The American "aristocracy" (and if one supposes the US to be free from class distinctions one has only to look at the plethora of social "A" and "B" lists, and societies restricted to descendants of the Mayflower. the Revolution and the Civil Wart is apparently largely dependent on wealth. Why

should that make it superior to the British aristocracy, for most of whom *noblesse oblige* has an enduring relevance, and whose sense of duty plays such an important part in charitable

The US judiciary is appointed for political reasons
- the same reasons as Mr Prowse derides in respect of the House of Lords' political appointments. Is it better to have senior legislators appointed because of a lifetime law, or because of political

and public works?

of distinguished service in the favours and a perceived need for "political correctness"? While it may be true that the top echelons of UK husiness

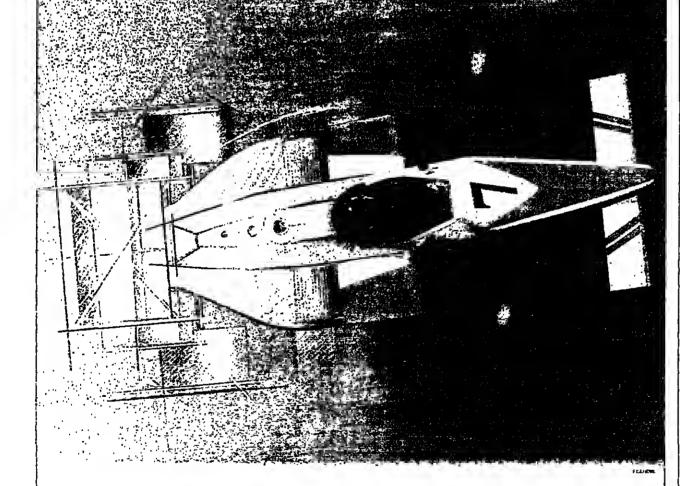
appointed from those who attended the "right" schools or universities, ability is now the overriding criterion. Mr Prowse's comments about the "supposed dominance of upper-class east coast families" are as relevant to the UK as he claims them to be to the US. The far from privileged origins of John Major, the prime minister, are well-known. The demonised House of Lords has, time and again, proved to be a useful brake on the acts of the Commons. As for the attack on the Queen, I would suggest that a large majority of Britons

(and other nationalities) would

prefer to have an apolitical

seemingly uhiquitous attendant scandals that completely overshadow the over-publicised private misfortunes of the royal family. Mr Prowse suggests that he ."
might like to appoint himself emperor of somewhere. With his apparent penchant for self-exposure, he ought to huy himself a new set of imperial clothes while he is at it.

> C.W. Raper. E21 Pearl Gardens, 7 Condnit Road,



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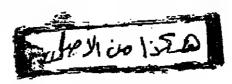
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World trade at risk

The failure of World Trade Organisation members to reach an agreement by last week's deadline to open global telecommunications markets is a setback not only for efforts to liberalise an important growth sector. It also augurs badly for the still larger tasks of defining a coberent agenda for multilateral trade policy and of establishing firmly the

role and authority of the WTO.

Though extension of the telecoms talks may lead to a deal next year, the inconclusive outcome is deeply disappointing. An agreement would have provided badly needed political impetus ahead of the WTO's first ministerial meeting in Singapore next December. Instead, the result is a further loss of momentum, already impaired by the near-collapse of last year'a financial services negotiations and the impasse in WTO talks on maritime services.
in all these negotiations, the US

has been the main problem. It was never likely to do much in a presidential election year about the sensitive issue of maritime services. But its stance on telecommunications is more surprising. US competitive strength in this sector is unchallenged and it had seemed to want a WTO agreement. After the better-thanexpected negotiating offers by many developing countries, the US claim that it balked st a deal because of foot-dragging by s few is unconvincing. Washington's last-minute vscillation in the face of industrial and political lobbies looks the more likely culprit.

Unproductive squabbling The fear is that such equivocation reflects a more fundamental weakening of US commitment to tha multilateral trade system. Washington has already signalled that it views the December meet-ing as a routine stock-taking. Its main interest will be in pushing for action on labour standards and corruption. Its demands enjoy support from some industrialised powers, but they are opposed by other WTO members. Without a more substantive agenda, the meeting could be reduced to

umproductive squabbling.
That reinforces the need for a

firmer consensus on the longer-

term development of the multilateral system. The WTO is still far from agreement on this central issue. It is essential if the organisation is to meet the challenge of trade regionalism and growing protectionist pressures in the industrialised world. If these trends eroded multilateral principles, every country dependent on a prosperous global economy

Sir Leon Brittan, Europe's trade commissioner, wants the December meeting to pave the way for another comprehensive trade negotiating round. His proposal may be too ambitious. But it is on the right track. The WTO needs to have its activities underpinned by a solid drive for further liberalisa tion. How this can best be achieved should be high on the near term agenda of regional trade groupings, as well as of individual

Regional groups

Progress need not require a formal round, which many countries are reluctant to contemplate. The multilateral system could be greatly strengthened if countries and regional groups acted more boldly to open markets unilater-ally. The EU should take the lead by undertaking to scrap minimal "nuisance" tariffs and, better still by accelerating the opening of its textiles and agriculture markets. Members of the Asia Pacific Economic Co-operation forum need to extend their planned liberalisation to all trading partners. Emerging economies which are already lowering barriers unilaterally should make such moves irrevocable by 'binding" them in the WTO, and eschewing other forms of protec-

tion, such as for infant industries, Some would doubtless oppose such an exercise, arguing that it does not guarantee reciprocal concessions. But countries need to move beyond the idea that they gain only by improving access to others' markets, and lose by opening their own. As many develop ing countries now accept, exactly the reverse is true. Others, particularly in the industrialised world, need to recognise it. That would not only reinforce the global trade system; it would do their own

Alliances, bids and jobs

Conventional wisdom tells us that larger number of customers as economies grow ricber, the demand for financial services increases. Yet much of the finan-cial news in the economies of the developed world has recently been about downsizing and cost cutting, rather than the generation of increased revenue. In the Englishspeaking economies, takeovers and mergers have become an especially potent engine of rationalisation. And the proposed merger between Royal Insurance and Sun Alliance suggests that the impetus may now be shifting from banking to insurance. With 5,000 jobs expected to go as a result of the merger, of which 4,000 are in the UK, this sounds like the kind of news the British labour market

could do without. To portray such mergers and acquisitions as purely a matter of cost cutting is nonetheless an over-simplification. There are undoubtedly areas of UK banking where rationalisation is needed. Capacity in the late 1980s had en geared to a level of mortgage and housing market scrivity that was unsustainable. Against that background Lloyds Bank's acquisition of the TSB group, the Halifax/Leeds building society merger and Abbey National's takeover of National & Provincial can be seen as part of an unavoidable shakeout in the retail banking market,

which still has a long way to go. Equally important, technology is imposing big structural adjustments on the financial services industry. The nature of banking relationships is changing, as automated teller machines distance the bank from the customer, while direct telephone banking brings them back together again in a dif-ferent format. These changes have undermined the rationale of the banks' brancb networks.

Lower costs

In insurance, where fixed costs bave been lower than in banking. the advent of direct selling by telephone by companies like Direct Line is transforming the economics of the industry. The need for big investments in information technology and marketing means that mergers and acquisitions can provide a way of achieving lower costs per insurance policy where blue collar workers, this has long fixed costs can be spread over a been a condition of existeoce.

Increased transparency in life assurance and pensions, meantime, is imposing s Big Bang on the industry, which will lead to a significant reduction in the number of players.

It does not follow from this that all the acquisition and merger activity is defensive. The Royal and Sun Alliance merger, for example, is driven partly by the need to develop a more powerful international presence. After a long period of intrespection on the part of UK insurers, there may now be a sustained attempt to catch up with foreign competitors which have stolen a march. As for Halifax's proposed acquisition of Clerical Medical and General, it is opportunistic in the sense that it seeks to take advantage of the trend towards convergence in retail financial services.

Mature businesses

The more important point, as far as the jobs market is concerned, is thet while the older and more mature businesses are cutting jobs, younger businesses like Direct Lins have been creating new jobs elsewhere in the sector In the case of Midland Bank's tele phone banking operation First Direct, the job destruction and job creation have been taking place within the same organisation.

The process of creative destruc tion is nonetheless bugely stress ful for thosa involved. It also spells the death of paternalism in a financial sector where the prevailing ethos for much of the postwar period had more in common with the civil service than the tradeable goods sector of the economy. Yet the fruits of earlier paternalism, in the shape of accumulated pension fund surpluses. can be used to finance generous redundancy payments which help mitigate the pain. In this respect white collar workers in banking and insurance are more fortunate than those who lost jobs in the 1980s in manufacturing, where pension provision was at a much

lower level. For the middle classes, downsizing has brought a new and per vasive sense of insecurity. But they should not forget that for

Half a celebration for Chirac

Things are beginning to come politically and economically right for the French president at the end of his first year, says **David Buchan**

or Jacques Chirac, the first anniversary of his year ago today is not nearly as bad as be might have feared. Five months ago France was crippled by publicsector strikes.

Since then, the Gaullist president has seen his standing rise in the opinion polls. He has given France a higher international profile and be recently belped to broker the truce in southern Lebanon between Israel and Hizbollah. Although France's involvement irritated some Americans it heiped to overcome the bad taste left by his decision to

test nuclear weapons in the Pacific.
The economy shows signs of recovery, and the financial markets seem to approve of the govern-ment's handling of it. The franc is trading strongly against the D-Mark while France has had the great satisfaction of seeing the yield on its long-term treasury bonds sink last week to below the rate on German bonds. This is seen as an indication of renewed confidence in the gov-

But Mr Chirac should only pour himself half s glass of celebratory champagne today. He is certainly not back on the path he might have hoped for this time last year. His positive rating in the opinion polls is still well below those of his prede-cessors, François Mitterrand and Valéry Giscard d'Estaing, after a year in office. in an anniversary article in yesterday's Le Monde, the French president could offer noth-ing more alluring to the electorate than to proclaim the need to "go further in cutting public spending because this is the only way to start reducing taxes from 1997".

This call for more sacrifice stems

from the president's desire to push France's deficits down as close as possible to 3 per cent of gross domestic product next year in order to belp it qualify to be a foundermember of European economic and monetary union. But the prospect of France hitting the 3 per cent target next year is far from guaranteed. In sddition, there is a growing concern that continued susterity policies could jeopardise the government'a parliamentary majority in the 1998 elections.

Mr Chirac has certainly hit his stride in fulfilling the curious mixture of roles demanded of a French president under the Fifth Republic. His more informal approach appears to please a public that had wearled of the aloof style of his predecessor. In foreign and defence policy, his special constitutional prerogatives, ba bas been ready with the grand gesture - on Bosnia, Lebanon, nuclear testing and disarmament, and Europe – that his Gaullist constituency expects. Fol-lowing General de Gaulle's belief that domestic issues were somehow secondary to foreign affairs, French presidents tend to subcontract economic and policy to their prime ministers, and Mr Chirac is no exception.

He makes public forays into domestic policy: a speech bere on France's "social fracture"; a visit there to a poor district; and a series of interventions in cabinet which range from encouraging and sdmonishing ministers to his recent extraordinary sttack on superstores for "corrupting" planning officials, "blackmailing" suppliers and pushing small shopkeepers (a traditional Gaullist constituency) out of business. But the real power which the president wields in domestic policy is exercised largely behind the doors of the Elysee palace.

His loyalty to Mr Alain Juppe, his prime minister, means that the



inherent weakness of the Fifth Republic - the dependence of the prime minister on his presidential master - is not exposed.

This is not to say that Mr Chirac has not had his doubts about Mr Juppė's policies or personality; it took the president more than five months poblicly to support Mr Juppe's deficit-cutting last October, while during the strikes unleashed against the Juppé welfare reforms last December, Mr Chirac stayed almost totally silent. Nor does it mean that Mr Chirac will not ditch Mr Juppe sometime during his remaining six years in the Elysée; the latter will in any case want a break from his often thankless job if be is ever to have a tilt himself at

the Elysee. But for the moment the Chirachave improved their standing in the opinion polls, but Mr Juppe remains about 10 points behind Mr Chirac, suggesting that be is no longer dragging the president down but scting as a lightning rod for public discontent and deflecting it from

With Mr Chirac behind him, Mr Juppe is recovering his nerve. To defuse the strikes in December, he abandoned his plan to streamline the SNCF state railways and to cut civil servants' pension benefits back into line with those of the private sector. But Mr Juppé argues, plausibly, that 90 per cent of his welfare reforms, particularly the trimming of extravagance in the health system and bringing social security under parliamentary (and thus government) control, have been put into effect. It remains doubtful whether the reforms were ambitious enough in the first place to bring shout the modest social security surplus in 1997 on which the government's Maastricht arithmetic on deficits depends.

On other fronts, Mr Juppé is also moving ahead. After only 45 per cent of France Télécom's 155,000 employees joined a protest strike last month against privatisation, Mr Juppé is preparing a bill which would permit the state to sell 49 per cent of the utility's capital to employees and outside investors. Significantly, one of the unions which has agreed to open negotiations with France Telecom's management on privatisation is Force Ouvrière, which at the national

level led the December strikes along with the pro-communist CGT union. At Mr Chirac's urging, Mr Juppé is now taking much more care to prepare the ground for his next sttempt to put public finances in order than he did over welfare reform last autumn. The two men yesterday started a

co-ordinated campaign to prepare the country for deep public spending cuts in the 1997 budget – Mr Chirac by penning his article in Le Monde and Mr Juppé by sending every MP s thick document on the French budget crisis in advance of the debate on that budget in the Nstional Assembly next week.

That budget will not be unveiled until September or October, but the aim of Mr Chirac and Mr Juppe is to that driving come impropries for

start driving some impressive fig-ures into the heads of MPs and ministers now. One of these is the likely cost (FFr226bn) of debt servicing, which will account for 80 per cent of this year's budget deficit and 20 per cent of tax revenues.

The point the government wants to drive bome is that budget cuts are in France's interest, Deliberately, Maastricht is never mentioned, although the treaty is at the

back of everyone's minds.

Whatever level of cuts in spending programmes and even in civil servants' oumbers the government can eventually force through, meeting the Maastricht targets will also depend on economic activity. The 5 per cent rise in January in consumer durable sales has proved to be a correction after the strikecaused decline in December rather than the start of a steady trend.

ot surveys of industrialists, who have been heartened by interest rate cuts, confirm ths government's hopes for strongish recovery in the second half of this year. Unemployment is still rising slowly, but a hopeful sign came in March with a 3.2 per cent increase in job vacancies, often the precursor of a turnaround. It is therefore possible that France may confound the predictions of most international financial organisations and market analysts by coming very near in 1997 to meeting the Maastricht criteria.

in theory, the sbsence of elections this year and next should give Mi Chirac and Mr Juppé some political elbow room to push through unpopular measures. But in doing so they will not want to wreck their chances in 1998 - the year of all elections when membership of the National Assembly, regions, can-tons, and one-third of the Senate is up for grabs.

In the 30 parliamentary elections held since Mr Chirac came to power, the left has taken eight seats from the ruling centre-right coalition parties as the Socialist party begins its comeback under Mr Lionel Jospin. A growing number in the governing majority, particularly the Gaullist followers of Edouard Balladur, the former prime minis-ter, and the new leadership of the UDF federation under Mr François Léotard, argue that only clear promises of tax cuts and an end to austerity will keep the centre-right in government after 1998.

Mr Chirac might encourage Mr Juppé to broaden his government next year to inclode ring-leaders of this "awkward squad" of tax-cutters, as one adviser to Mr Juppé recently suggested in private. But they would demand a price for coming in to government, and Mr Chirac cannot be insensible to the possibility of ending the final four years of his term in cohabitation with the left.

OBSERVER

Doris shows how to do it

■ Ennio Doris and Silvio Berlusconi have a lot in common. Both are rich, self-made Italians with a reputation for charismatic management. They also each own half of Mediolanum, the life insurance and financial services business, which goes public this month. At 55. Doris is slightly younger and ruddier-faced than the permanently bronzed media agnate, but he shares Berlusconi's habits of smiling a lot

and wearing double breasted suits. Doris linked up with Berlusconi in 1982 to sell insurance, but it seems he's now begun to show a flair for broadcasting, the former premier's favourite business. Launching the Mediclanum investment roadshow vesterday in Milan, Doris boasted about the high-tech links between HQ and the sales force. Once a week at dawn. Mediolanum transmits an hour of product information. market news and training tips to its 2,700 sales people, via a specially encoded channel borrowed from Telepiù, the pay TV company founded by Berlusconi.

It sounds like a classic example of synergy with Mediaset -Berlusconi's media company, also due for flotation this summer - but Doris says the television programme is all his own work. The Mediolanum programme is

prepared in-house," he says, "and at a cost that some other companies can only dream of." Maybe Berlusconi, now devoting

his time to leading Italy's political opposition, should watch out.

Inside a thin man ■ Anyone noticed the remarkable resemblance between Catherine Deneuve, the film star, and Donald Trump, the ravishing sex symbol: famous for the size of his condominiums? Well, yes. A female reader wrote to the

New York Times the other day asking why a recent article about The Donald had made no reference to his figure, when the accompanying photograph showed that he appeared to heve put on some weight. Pointedly, she noted that a profile of Deneuve the day before had contained the remark: "She is perhaps not as slender as she once was.

This prompted a lively riposte.
The valuglorious Donald wrote in to say that if he had truly put on weight, like Deneuve, it ahould have been mentioned: but that, in reality, the picture made him look much heavier than he was, and in fact was "not correct".

More realistically, however, another reader - predictably, male - suggested that the lack of any reference to The Donald'a growing girth was easily explained; he had never appeared nude in a movie that made his shape a matter of

interest. Give him time.

Pig-headed?

■ Britain's embattled farm minister Douglas Hogg seems to have taken a vow of silence since arriving in Otranto - situated on the tip of Italy's heel - for a two-day informal gathering of EU agriculture ministers. Inquisitive hacks have failed to elicit a word from Hogg, who has

been taking full advantage of the

fact that ministers, while normally perfectly helpful, are not actually obliged to face the press. It's therefore appropriate that Walter Luchetti, the Italian host, has chosen the San Domenico monastery for the ministers' final working session today. This holy place used to be run by Dominican monks, known as "the order of the preachers" because of their sealons evangelism, Expectant journalists hope Hogg gets the point before

Most inflammatory ■ Crédit Lyonnais isn't the only

jetting back to London.

group counting the cost of Sunday's fire, which ravaged its elegant 19th century Parisian headquarters. One of the bank's main insurers is Assurances Générales de France, poised for sale in France's first large privatisation of 1998 AGF executives assembled in

Paris for a press conference launching the sale yesterday said the bank had been right to say the FFr1.5bn building was well insured "because it is insured by us". But they were careful to emphasise that AGF's bottom line exposure on the fire was limited to FFr40m.

Antoine Jeancourt-Galignani, -AGF's chairman, added that the group had put its property team at the bank's disposal, to help them find suitable alternative accommodation. Which shouldn't be too difficult, even in the well-heeled Opera district, where the building is located. Paris office capital values have slumped in recent years, and 'to let' signs are ten a penny. Also evident was

Jeancourt-Galignani'a distaste for franglais. Terms such as "Is claw-back" and "le greenshoe" both of which he was forced to use in his presentation - were, he declared, "absolument barbares" Observer agrees. So a bottle of malt whisky to the sender of the best French alternative for either or both: faxes only please to +44 171 873 3926, or a letter to the usual

Sanity and the cow Latest bumper sticker in Montana, the US state that is home to cattle, the Unabomber suspect and the "Freemen" currently resisting the FBI: "Montana - at

least the cows are sane."

Financial Times

100 years ago

Importance of Pearl Harbour The Senate Committee on Foreign Relations has agreed to the Bill for the construction of a United States Hawaii-Japan cable, and authorises the Postmaster General to contract with any company to lay the cable, the substdy not to exceed \$160,000 yearly. The report declares that the Hawaiian cable is demanded by the exigencies of commerce. It refers to the importance of Pearl Harbour and the necessity for telegraphic communication with Hawaii to direct the operations of the Pacific Fleet in the case of war.

50 years ago The French referendum Paris, 6th May: The Referendum result acted as a tonic on the Paris Bourse to-day, which opened with a boom. The rejection of the proposed new constitution was generally unexpected, and the comparatively large "No" majority was particularly surprising. The market rightly or wrongly is now certain that any future Assembly will not vote for additional nationalisation and hopes for improved compensation terms for

enterprises already nationalised.

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Digital technology launch scheduled for 1997

BSkyB plans up to 500 more TV channels in UK

By Raymond Snoddy in London

British Sky Broadcasting, the satellite televisien vecture, is expected te confirm today that it plans to launch digital satellite television in the UK in autumn 1997 and offer an unprecedented number of television channels.

The satellite company, now capitalised at more than £8bn, (\$12bn) is planning to launch up to 500 channels of television for the British market.

BSkyB, is expected to clarify its intentions today in a statement accompanying its first quarter results which will show continuing growth of both subscribers and revenue. BSkyB has been making prepa-

rations for the move for some time and has leased capacity on twe Astra satellites deveted entirely to digital TV which already have been successfully

The company has, however, been cautious about the timing of the move because of its 4m customers with satellite dishes using existing analogue technology.

BSkyB is planning to offer a

huge number el channels to persuade its customers to trade up to digital decoders – the black boxes that enable viewers to watch the satellite signal.

The BSkyB epproach will be to

work in partnership with as make the everall package of channels as diverse and attrac-tive as possible. It has announced a joint venture with Granada Television for eight new channels to be launched later this year and then transfer to digital.

But BSkyB has also been talking to the BBC about the pos-sibility of the Corporation providing up to 12 new channels for the digital system. Preliminary talks with Mr Richard Branson's Virgin Group have discussed providing channels for young people.

Digital television has already been launched in the US, Africa, South America, France and Italy and will be launched in Germany this summer. Digital technology allows eight to 10 channels to be carried in the satellite capacity currently transmitting one chan-nel, thereby cutting the cost of broadcasting.

Apart from offering a large number of new channels, digital TV will enable BSkyB to move to near-video-en-demand. NVOD involves setting aside anything from 60 te 100 channels fer a small number of top films. As many as six channels an

starting times are staggered so that viewers are always only a short time away from the beginning of a movie they want to see. Digital satellite will also transform sports coverage. If agreement is reached with the Premier

devoted to a single film and the

League, BSkyB will be able to show all Premier League games simultaneously on a subscription basis. Pay-per-view football via digital satellite is being launched by Canal Plus in France and hy Telepiu in Italy at the start of the

Austrian Communists sue Bonn over cold war profits

By Eric Frey in Vienna

Austria's minuscule Communist party has not won a parliamentary seat in 40 years. But the unchastened Stalinists were far better at making profits than

Now a case brought in a Berlin court yesterday could make the party richer by the equivalent of DM100,000 (\$67,000) a member. The party claims that DM500m

in assets beld by the German government are the fruits of its labours - some might say of its successful exploitation of a cold war market niche - as a broker between east and west.

Companies controlled by the unswervingly pro-Moscow Communist party earned buge com-missions in the 1980s by arrang-ing business deals between western companies and East European authorities.

They came to an abrupt end with the fall of communism in 1989 when discredited East bloc party officials scampered for cover and for safe places to hide the money they were about to lose control of. The question now

before the Berlin court is not Swiss accounts. This case is still whether a devoutly Marxist party with 5,000 members and which won 14,000 votes at the last election in December should have amassed such a fortune - but to

whom the money belongs.

The plaintiff in the Berlin court case is Ms Rudolfine Steindling, manager of the Austrian Communist party-owned trading com-

After German unification, the Bonn government froze Novum's assets, claiming the company was a front for the East German Communist party and its finan-cial wheeler-dealer Mr Alexander Schalck-Golodkowski. For the German government,

the trial is part of a frustrating bunt for East German state funds that were transferred abroad in the chaotic months between the fall of the Berlin wall in November 1989 and unification in Octo-

In 1992 the Treuhand, the agency which took over all East German state assets, sued Ms Steindling for allegedly transfer-ring DM450m from East Berlin through Austrian banks into

pending, but a Berlin court lifted an international warrant against Ms Steindling last month because of lack of evidence.

Now Ms Steindling is fighting back. Her lawyers are arguing in court that Novum was really an Austrian company that acted as an intermediary between East Germany and western companies such as Voest-Alpine, the state-owned Austrian steel group, Ciba-Gelgy, the Swiss chemicals concern, and Bosch, the West German electronics group.

The two sides want to call up to 200 witnesses between them in the coming months. The trial could last several years and the outcome is bard to predict, say

A victory for Ms Steindling would not only be embarrassing for the Germans, but would also make the Austrian Communists the country's richest political

The party leadership has made clear that regardless of its ideological leanings, it will fight for the money until the bitter

Philippine president orders a kidnapping crackdown

By Edward Luce in Manila

President Fidel Ramos yesterday ordered 56 Philippine courts to concentrate exclusively on kid-napping and related cases in the wake of a survey which said the Philippines was the most dangerous country in the region in which to do business.

The survey, published in Hong Kong by the Political and Economic Risk Consultancy, says expatriate business managers rate the Philippines as the least safe country in east Asia owing to a spate of recent kidnap-for-

The poll, rating countries from one to 10, put the Philippines et 7.24, with Singapore as the safest with a ranking of 1.25.

"We vehemently disagree that the Philippines is the most unsafe country in Asia," said Mr Hector Villanneva, spekesman fer Mr Ramos, yesterday. "In Myanmar [Burma] people just disappear. I do not think that is happening here.

Mr Ramos yesterday ordered the specially designated kidnapping courts to take a maximum of 90 days per case as the gov-ernment unveiled measures to combat kidnappings of relatives of leading Philippine businessmen, who are usually Filipino-

Since 1992 there bave been more than 600 cases of kidnapping, over 50 of them this year. Chinese-Filipinos, roughly 2 per cent of the population, make np about 60 per cent of the economy by market capitalisation.

The kidnappers target the Chinese-Filipino community and other Chinese because they are the most soccessful business group," said Ms Teresita Ang-See, head of an anti-kidnapping group in Manila. "They also target the Chinese because the Chi-nese are very liquid so they can pay up quickly and because they rightly do not trust the police."

Pressure on the government, which has admitted that senior police officers are involved in kidnap protection rackets, has mounted since the murder by kidnappers last month of 19year-old Mr Luis Ongpin, nephew of a former finance min-

Philippine officials say the problem is more to do with perception than reality. With foreign investment more than dou-bling in the last three years, publicity surrounding kidnappings has increased a sense of alarm, they say. Recently the 18year-old son of a Taiwanese diplomat, Mr Huang Ronghua, was released after a ransom of 1m

pesos (\$38,500) was paid.
"What should be corrected is the sensationalising of isolated helnous crimes," said Mr Villanneva. "There are probably more crimes committed in Manhattan in one week than in six months

THE LEX COLUMN Spoilt for choice Share orice relative to the Comit Index

The prospects for Italian privatisations have never looked better. Three of privatisation's greatest political proponents – Messrs Romano Prodi, Carlo Azeglie Ciampi and Lamberto Dini – are likely to be at the core of Italy's new government, when it is formed over the next fortnight. Meanwhile, the Italian markets have reacted ecstatically to an election victory by what seems to be a fiscally onsible coalition. The Treasury's L10,000bn (\$6.45bn) target for privatisation proceeds looks

safe. The sale of residual holdings in Ina, IMI and Eni should be easily achievable and should raise at least that sum. Nonetheless, the government should not get carried away. It has a unique opportunity to broaden Italy's diminutive equity market, provide Italian industry with an alternative means of raising capital, and introduce competition ler the menopo-listic merchant hank, Mediobanca, It is unlikely to help the process by trying to force through sales of Stet and Enel, the menepoly telecoms and electricity companies, this year. Neither have regulatory authorities up and running yet. Enel is struggling with accusations of price rigging, while the authorities have still to decide on a structure for Stet. Moreever, beth issues would be likely to clash with Deutsche Telekom's \$10bn share offer, due in November

There are plenty of alternatives to choose from, such as Autostrade. And if the government wants to achieve more than just debt reduction, it should turn to the banks. Not only are there too many banks, but too few bank managements are accountable to anyone. The treasury should speed up the sale of Banca Nazionale del Lavoro, as well as applying moral sussion to the bevy of banks owned by charita-

French/German bonds

For e Gaullist government, it must be particularly pleasing to note that French long-term interest rates have fallen below those paid by the German government on domestic debt. The implication is that France is now considered more creditworthy than Germany. There are some grounds for believing this. Germany's budget deficit problem now looks even worse than its neighbour's, and the French may solve theirs sooner. Not only does this make France's deficit appear less gruesome, it also means it matters less: since even Germany is unlikely to meet Maastricht targets, failure to do so is hardly likely to block France's participation in a single currency.

In fact, the growing realisation that France and Germany will both be among the first members of Emu, despite evershooting monetary targets, is the main reason for the re-rat-ing eI their debt. The D-mark, traditionally Europe's hardest currency, will be weakened by monetary union while the franc will be strengthened. For this reason, domestic investors have become reluctant to buy German government debt. Foreign buyers, traditionally overweight, are also reas-sessing the market. French bonds, on the other hand, bave benefited from a surge of biquidity. Tax incentives and low deposit rates have encouraged more investors to buy life insurance policies, funded by bonds. And international investors are still underweight. Given these flows of funds, the small gap between tha two markets

Return on investment

may even increase.

How do you know a company is doing well? When earnings per share (eps) are growing rapidly, would be the standard reply. Eps is the main valuation yardstick used by investors; it has also become something of a five it has also become something of a fixa-tion within companies. Rentokil, most famously among UK companies, has a target of boosting eps by at least 20 per cent a year. One of the reasons it gobbled up rival services group, BET, was to keep that growth rate going for a few more years.

But eps is not a boly grail in determining bow well a company is performing. This is not merely because managements still have latitude in deciding what earnings to report; it is also because eps growth says little about whether a company is investing shrewdiy and managing its assets effectively. It may, for example, be possible to boost eps by stepping up the rate of investment. But unless the return on investment exceeds the cost

of capital, a company will be destroy-ing value. For this reason various measures of return on investment (ROI) are increasingly in vogue.

Unfortunately, the crude figures for return on capital employed - operating profit/capital employed - that can be derived from a company's accounts are virtually useless. Here, the biggest problem is not so much the reported operating profit as the figure for capi tal employed contained in the balance sheet. Not only are assets typically booked at historic cost, meaning they can be grossly undervalued if inflation has been high since they were acquired the capital employed is also often deflated by goodwill write-offs. Once balance sheets bave been shrunk, pedestrian profits translate into fabulous returns. A mini-industry has sprung up to

help investors and companies themselves navigate around the pitfalls of accounting-based returns. Two of the best known methods, Holt's cash flow return on investment and Stern Start art's economic value added approach were both developed in the US. Though the details vary, the essential idea is the same: clean up a company's reported figures and so get a better picture of what rate it is earning on its investment.

A clean measure for ROI has several uses. One is to judge how well a company is performing. If a company's ROI is below its cost of capital and it is still investing, the prima facie con-clusion is that value is being destroyed. There are, of course, caveats: start-ups can endure sub-par ROI provided exceptional returns are in prospect as they mature; and, even if a company's average returns are too low, incremental investment can still make sense, provided it earns a decent return. But if neither caveat applies, investors should tell management to smarten up its act or face the axe.

Another use for ROI is in valuing equities. If a company's ROI is 20 per cent but its cost of capital is 10 per cent, a first stab at its worth would be twice its "cleaned-np" asset value. There are caveats here too. One needs to be confident that the company can maintain super-normal profits in perpetuity - typically, it is more realistic to assume that competition will gradnally erode returns. It is also necessary to judge what scope a company has a make new investments that will earn exceptional returns: the more opportunities, tha better.

While an unthinking use of ROI is no better than an unthinking use of eps, it is a useful tool in a sharehold-er's kitbag. The more it is used, the more efficiently capitalism will work.

B. J. L.

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4

European groups to make joint missile bid

Continued from Page I

monopoly of the international market with the Amraam.

However, the UK is concerned

US could also bar exports of Amraam to third countries by the UK, effectively giving it a veto on Eurofighter exports.

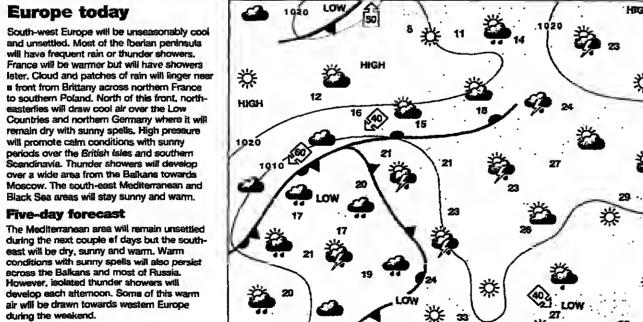
Hughes's bid for the UK con-

win the contest, provided its design is sufficiently advanced. Sweden, Germany, Italy and

Spain are likely to be observers at the UK competition, allowing them to evaluate the technical merits of the two rival bids.

A decision is expected in the UK contest in the spring of 1997.

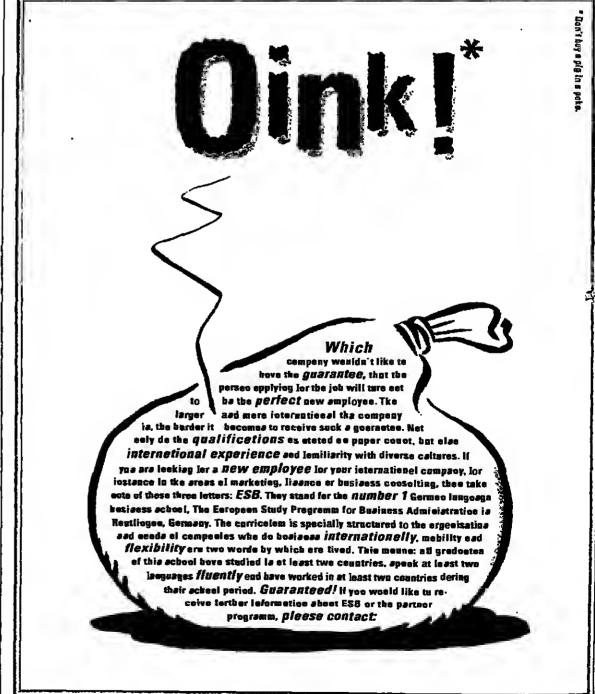
that the Pentagon will net test will have to attempt to overrelease the full technical data on come these difficulties, which Amraam to foreign countries, limiting any buyer's understandmay prove hard. As a result, the new European consortium is strongly placed to ing of how the missile works. The FT WEATHER GUIDE **Europe today**





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